Report

of the

Indian Tariff Board

(Cotton Textile Industry Enquiry)

1927

Volume III

Evidence of Local Governments, Official Witnesses, Chambers of Commerce, Labour [illegible]sations and other Associations

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PRESS COMMUNIQUE

In the Resolution of the Government of India in the Department of Commerce, No. 341-T. (9), dated the 10th June 1926, a second Tariff Board was appointed for the purpose of enquiring into the present condition of the Cotton Textile Industry in India. The terms of reference were :—

(1) To investigate the condition of the Cotton Textile Industry in India, with special reference to the industry in Bombay and Ahmedabad ;

(2) To examine the causes of the depression in the industry and to report whether they are of a temporary or permanent character ;

(3) In particular, to consider whether, and if so to what extent, the depression is due to the competition of other countries in the home and export trade ;

(4) To report whether, having regard (*i*) to the fact that the industry has long been established in India and (*ii*) to the interests of the consumer and to all other interests affected—
(*a*) the industry is in need of protection, and
(*b*) if so, in what form and for what period protection should be given ; and

(5) To make any other recommendations that are germane to the subject.

The Board has now received a representation from the Bombay Millowners' Association reviewing the causes which, in the opinion of the Association, have led to the present condition of the industry and putting forward the following proposals :—

(1) The abolition of the duties on machinery and mill stores ;

(2) The abolition of company super tax and the Bombay town duty of one rupee per bale ;

(3) Reduction of railway freights from Bombay to the principal up-country markets ;

(4) Negotiations with steamship companies for the reduction of shipping freights from Bombay to all export markets ;

(5) The appointment of Trade Commissioners in various countries to assist India's export trade ;

(6) The adoption of a scientific tariff which will protect goods manufactured in India from unfair competition from foreign countries.

The Association consider that, in order to place the cotton textile industry in India on an equality with foreign countries in respect of costs of manufacture, additional protection to the extent of 13 per cent. is required and that further protection to enable the mills to make the necessary allowances for depreciation to plant and machinery should also be given.

2. The Board will be glad to receive representations from those public bodies, firms and persons who desire to express their views on the subject matter of its enquiry.

The representation from the Bombay Millowners' Association and the Board's questionnaire have been printed in book form and copies can be obtained from the Board's office at the Bombay Town Hall, Provincial Government Book Depôts and authorised booksellers.

3. Replies to the Board's questionnaire, which should be addressed to the Secretary should reach the Board's office, Town Hall, Bombay, not later than the 21st of August 1926, together with 5 spare copies. Firms and persons who desire to tender oral evidence should inform the Secretary not later than the 15th of August. The Board's programme will be notified to the public from time to time and arrangements will be made for the examination of witnesses other than those from Bombay at the nearest convenient centre included in the Board's programme.

4. Some of those who desire to be heard may find it convenient to submit detailed answers to the questionnaire, while those who prefer to express their views in a more general form may find the questionnaire useful as indicating the points on which the Board desires to be informed. Some of the questions cannot be answered without local or technical knowledge and answers of firms and others with such knowledge will be of special value. Witnesses who desire any part of their evidence to be treated as confidential are requested to mark such part clearly.

Bombay, the 1st August 1926.

D. F. KEEGAN,
Secretary, Indian Tariff Board
(Cotton Textile Industry Enquiry).

QUESTIONNAIRE

SECTION I

General

1. Do you consider that the present depression in the Cotton Textile Industry is confined to Bombay or that it also extends to Ahmedabad and to up-country centres generally ? Does it affect all mills in the same centre alike ?

2. To what extent do you consider the depression due to the operation of world factors, of factors special to India or of factors special to a particular locality in India ?

3. Do you consider that the causes of the present depression in the industry are of a temporary or permanent character ?

4. Do you consider that, unless the present margin between the price of raw cotton and the price of yarn and piece-goods increases, any mills now working will be compelled to close down ?

5. Do you consider that producers of yarn and piece-goods generally (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres with which you are acquainted are at present realising no profit on their sales or selling at a loss ?

6. What effect do you consider that a further fall in the price of raw cotton would have on the prosperity of the industry ?

7. How far can the present depression in the industry be attributed to lack of confidence in the stability of the present level of prices of raw cotton, of yarn and of piece-goods ?

8. How far do you consider that the depression in the industry can be attributed to the fact that the fall in the price of cloth has not corresponded with the fall in the price of cotton and that of other commodities ?

9. Do you consider that there has been a fall in the purchasing power of the ryot since the war, and if so, to what extent has this fall in purchasing power contributed to the depression in the mill industry ?

10. Do you agree with the view that, owing to the low prices of gold and silver, consumers prefer to invest their savings in the precious metals and to restrict their purchases of cloth to a minimum ?

11. How far can the present depression in the industry be attributed to lack of organisation among the mill-owners generally or in any specified directions ?

12. How far has the depression in the industry been reflected in the number of mills which have (*a*) changed hands, (*b*) closed down, (*c*) gone into liquidation since 1922 and in that of projected mills in which work has not been started or has been suspended since that date ? If you are in a position to give information in regard to a particular mill falling under any of these heads please do so.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. How far do you consider that the present depression in the industry can be attributed to the loss of the Chinese market for yarn ? How far do you consider that the heavy fall in the exports of yarn to China since 1917 can be attributed to foreign competition, to scarcity and dearness of freight, to the expansion of the weaving industry in India or to a combination of all these causes ?

14. How far do you consider the present depression in the industry due to increasing competition both in regard to quantity and price of imported yarn and piece-goods (*a*) from Japan and (*b*) from other countries ?

15. What counts of imported yarn and lines of imported piece-goods compete directly with the production of Indian mills ?

16. Please give as complete a range of figures as you can covering as long a period as possible of prices *ex* godown Bombay or Calcutta of imported yarn and piece-goods which compete with yarn and piece-goods manufactured in India. The prices *ex*-mill of the Indian manufactures with which the imported goods compete should also be given.

17. Do you consider that any yarns or piece-goods imported from Japan or other countries are placed on the Indian market at prices which would not cover their cost of production in India or at prices which are lower in India than those at which they are

placed in other markets (excluding freight and duty) ? If so, please furnish samples of such yarn or piece-goods, if possible, with particulars of prices. Can you furnish any evidence to show that such goods are placed on the Indian market at prices which after deducting freight and incidental expenses would not cover the cost of their production in the exporting country ?

18. Do you consider that any yarns or piece-goods exported from Japan or other countries are placed on any foreign market at prices which are lower than the cost of production of similar Indian goods *plus* freight and import duty ? To what extent, if any, has India lost foreign markets as a result of such competition ?

19. The total imports of yarn of counts under 30s into India in 1924-25 were less than 1·3 per cent. of the production of Indian mills. In these circumstances do you regard the competition of imported yarn as a serious factor, and if so, why ? Do you consider the percentage likely to increase ?

20. It has been estimated that before the war not more than 3 per cent. of the imports of piece-goods from the United Kingdom competed directly with the production of Indian mills and that since the war the percentage has not been more than 1 per cent. Do you accept these figures ? If not, please give your reasons.

21. It has been estimated that 70 per cent. of the imports of piece-goods from Japan compete directly with the production of Indian mills. Do you accept this figure ? If not, please give your reasons.

22. It has been estimated that 10 per cent. of the imports of piece-goods from countries other than the United Kingdom and Japan compete directly with the production of Indian mills. Do you accept this figure ? If not, please give your reasons.

23. Do you consider the imports of piece-goods into India from the United Kingdom, Japan, Italy or any other country likely to increase, and if so, why ?

24. To what extent do you consider that imported piece-goods from Japan compete with those (*a*) from the United Kingdom and (*b*) from other countries ? Do you consider this competition likely to increase in the future ?

25. To what extent do you consider that the competition of imported piece-goods from Japan with the production of Indian mills has been accentuated by the fall in the Japanese exchange ? Please give figures in support of your view. Have you any criticisms to offer of the table given in paragraph 57 of the representation of the Bombay Millowners' Association and of the assumptions on which it is based ?

26. To what extent do you consider that the competition of imported goods from countries other than Japan with the production of Indian mills has been accentuated by fluctuations in the exchange of the exporting countries ? Please give figures in support of your view. Do you consider that the competition from foreign countries other than Japan is likely to increase in the future owing to the exchange factor ?

27. To what extent do you consider that the competition of imported goods with the production of Indian mills has been accentuated by fluctuations in the sterling rate of the rupee ? If the rupee is stabilised at 1*s.* 6*d.*, what effect will it have on the industry ?

28. To what extent do you consider that the competition of imported piece-goods with the production of Indian mills is facilitated by the difference between the conditions of labour in the exporting country and in India ?

29. To what extent do you consider that the competition of imported piece-goods with the production of Indian mills is promoted by direct or indirect State assistance to the industry in the exporting country ? Are you in a position to give any specific information on this point ?

30. Do you consider that the competition of imported piece-goods with the production of Indian mills is in any way assisted by special facilities in the matter of credit obtained by the exporting houses in their own country or offered by them to buyers in India ?

31. How far do you consider that the competition of imported piece-goods with the production of Indian mills is facilitated by greater attention paid by exporters to the requirements and preferences of Indian middlemen and consumers in regard to such matters as quality, finish and packing ?

32. Has there been any marked change in the quality of piece-goods imported into India of recent years from Japan or any other country ?

33. Can you give any specific in tances in which any line of Indian yarn or piece-goods has been ousted from or seriously handicapped in the home or foreign market or any part of it by imports from Japan or any other country ?

34. Do you consider that there are any signs of a growing preference on the part of Indian consumers for finer qualities of cloth than those ordinarily produced in Indian mills and that this preference is working to the disadvantage of Indian mills as compared with their competitors ?

Section III

Internal competition

35. To what extent, if any, do you consider that the extension of mills and the establishment of new mills in up-country centres have affected the prosperity and future prospects of the industry (*a*) in Bombay and (*b*) in Ahmedabad ?

36. What advantages, if any, do you consider that Bombay mills have over mills in Ahmedabad and up-country centres ?

37. Can you give an estimate of the relative advantages that mills in (*a*) Ahmedabad and (*b*) any up-country centre with which you are acquainted have over mills in Bombay owing to (*a*) proximity to large up-country markets, (*b*) proximity to coal fields, (*c*) proximity to sources of supply of raw materials ?

38. To what extent does the handloom industry compete with the mill industry ? Has there been any change in this respect of recent years ?

39. Can you furnish any information as to the extent of the production of hand-spun yarn and handloom piece-goods ?

Section IV

Mill management

40. The British Safeguarding of Industries Act lays down *inter alia* that no order shall be made under Part I unless it is established that the industry manufacturing similar goods in the United Kingdom is being carried on "with reasonable efficiency and economy." Do you consider that this criterion is satisfied by the industry (*a*) in Bombay and Ahmedabad and (*b*) in India generally ?

41. Please state your views in detail on the managing agency system. If you consider the system defective, please state in what way you regard it as defective. Do you consider any efficient substitute for the managing agency system possible ?

42. Is the system of remuneration to managing agents by commission on profits or that by commission on production the more common ? Which do you consider preferable ?

43. In addition to remuneration by commission on production or on profits do managing agents also receive an allowance for office expenses and commission (*a*) on purchases of cotton, (*b*) on purchases of machinery, mill stores and coal, (*c*) on sales of cotton, (*d*) on sales of yarn and cloth and (*e*) on insurance, advertisement or other activities ? Where the commission is on production does the agency agreement usually provide for a minimum commission irrespective of profits ?

44. Is the association of managing agents with any other classes or kinds of business common and, if so, do you consider it is in any way detrimental to the interests of the industry ?

Section V

Mill finance

45. To what extent can the present depression in the industry be attributed to the over-capitalization or the under-capitalization of the mills in the Bombay, Ahmedabad, and up-country centres ?

46. To what extent can the present depression in the industry be attributed to extensions of mills and replacements of machinery undertaken when prices were at their highest ?

47. Do you consider that there was an unduly liberal distribution of profits by mills between 1917 and 1923 ? If so, please give figures in support of your view and state whether you consider that the present depression in the industry can to any extent be attributed to this cause.

48. Have you any criticisms to offer of the way in which mills have obtained their capital, *i.e.*, of the way in which it is divided between (*a*) ordinary shares, (*b*) preference shares, (c) debentures, (*d*) loans, (*e*) reserve fund and (*f*) depreciation and other funds ?

49. Have you any criticism to offer of the way in which mills obtain their working capital? To what extent is the system of obtaining this capital by means of short term loans from the general public prevalent (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres ? Do you consider this system a sound one ?

50. How far is it the practice of the mills to invest funds in allied concerns? Do you consider this practice a sound one ?

51. Do mills now experience greater difficulties in obtaining finance than in pre-war years ? If so, to what extent has this contributed to the general depression in the industry ?

52. Can you give any information as to the rate at which money is borrowed by the industry in India and in Japan ?

Section VI.—Costs of Production

(*a*) *General*

53. What size do you consider a mill with both spindles and looms should be in order to ensure the most efficient and economical working ? Can you give an approximate estimate of the capital required in pre-war conditions and at the present time to establish such a mill (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres ? Can you give an idea of the approximate cost per spindle of establishing such a mill in 1914 and 1926 respectively in India as compared with the United Kingdom and Japan ?

54. Are mills generally (*a*) in Bombay, (*b*) Ahmedabad and (*c*) up-country centres of a size, type and lay-out conducive to economical working ?

55. To what extent do you consider that the efficiency of Indian mills is hampered by the use of old machinery ?

56. Please give for any mill in regard to which you are in a position to give such information a statement in the form attached as Appendix A of the costs of production in pies per pound for one pound of grey yarn of 20s counts and for one pound of standard grey calendered long cloth. For purposes of comparison the figures should be given for 1913, 1914, 1920, 1924 and 1925 (if available).

N.B.—The exact period covered, where this differs from the Calendar year, should be stated. The counts of warp and weft used for and the reed and pick of the standard long cloth should also be stated.

57. In which of the elements making up the cost of production do you consider Indian mills are at a special disadvantage as compared with their competitors ?

58. In which of the elements making up the cost of production are mills in Bombay at an advantage or disadvantage as compared with mills in Ahmedabad and up-country centres ?

59. To what extent, if any, are the costs of production in Bombay as compared with those in Ahmedabad and up-country centres affected by the greater humidity of its climate ? To what extent does the provision of humidifiers add to or lower the cost of production ?

(*b*) *Raw material*

60. Please describe in detail the methods adopted by the mills in purchasing raw cotton (*a*) in Bombay and (*b*) in the cotton districts. Please state how these differ from those adopted in Lancashire and Japan.

61. How far do you consider that speculative purchases of (*a*) spot cotton and (*b*) cotton futures have contributed to the present depression in the industry ? Can you suggest any method by which the element of speculation in such purchases could be reduced ?

62. It has been frequently stated that the prices at which cotton is purchased by Indian mills are often higher than the prices paid for cotton for export. Do you consider this statement correct ? If so, can you give any information as to the margin between the two prices ? Can you suggest any reason why there should be such a margin or any means by which it can be avoided ?

63. To what extent can the present depression in the industry be attributed to the purchase of cotton at prices higher than those now prevailing ?

(c) Labour

64. The Bombay Millowners' Association hold that "the main factor which has contributed to the present increased cost of manufacture is the higher remuneration given to labour for a smaller unit of work as compared with pre-war years." Do you accept this view ? How far does it also apply to Ahmedabad and up-country centres ?

65. Do you consider that there was an unduly liberal distribution of bonuses to operatives between 1918 and 1923 ? If so, please give figures in support of your view and state whether you consider that the present depression in the industry can to any extent be attributed to this cause ?

66. To what extent, if any, did (*a*) spinning and (*b*) weaving production suffer as a result of the reduction in the hours of labour in 1922 ? Please give comparative figures for 20s yarn and standard grey calendered long cloth before and after the reduction.

67. Please state for any mill with which you are acquainted :

(*a*) the number of spindles in the ring frames, the lift of spindle and number of ring spindles per competent spinner;
(*b*) the number of looms per competent weaver;
(*c*) the total operatives in the spinning department per 1,000 spindles up to and including reeling and the average counts spun;
(*d*) the total operatives in the weaving department per 100 looms for grey and coloured goods respectively.

Please explain in detail how you have arrived at your figures.

68. Please give the rates of wages paid in the spinning and weaving department of any mill with which you are acquainted with particulars of any changes in these since 1914.

69. Please state the average spinner's wage per pound of 20s yarn and weaver's wage per pound of standard grey calendered long cloth produced for any mill with which you are acquainted.

70. To what extent do you consider the textile industry in India is hampered in comparison with its competitors by the inefficiency of Indian labour ? How does the efficiency of labour in Bombay compare with that in Ahmedabad and in up-country centres ?

71. What is the percentage of absenteeism (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in any up-country mill with which you are acquainted ? How far does the percentage of absenteeism vary from day to day in the week and how far is the variation seasonal ? Is the percentage larger amongst female than amongst male operatives ? To what extent do you consider that absenteeism could be reduced by the grant of good attendance bonuses and other privileges ? Are such bonuses commonly granted ?

72. How far does the "budli" system affect the efficiency of labour ?

73. Can you furnish an estimate of the rate of labour turnover in the cotton textile industry (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres ?

74. How far are mills in Ahmedabad and in up-country centres at an advantage or disadvantage over those in Bombay in regard to the continuity of labour supply ? To what extent do you consider that continuity could be secured by the grant of long service bonuses and the institution of provident funds ? Are such bonuses and provident funds common ?

75. To what extent do mills in Bombay, Ahmedabad and up-country centres house their labour and what return do they get on the capital invested in such housing ? Do you consider that improved housing conditions would result in any improvement in the efficiency of labour ? How far is it possible to secure such conditions in Bombay and Ahmedabad ?

76. What are the present facilities for technical education (*a*) for operatives, (*b*) for supervising staff ? To what extent is use made of these ? To what extent do you consider that the efficiency of labour could be improved by increasing them ?

77. The Bombay Millowners' Association express the view that wages in the cotton textile industry are higher than those generally prevalent in any other industry in India. Do you accept this view ? If so, please give facts in support of your opinion.

78. Has there been any marked change in the standard of living of operatives since the war.

79. Do you consider that there is any scope for a reduction in the labour costs in mills in India by the introduction of automatic looms or of other labour saving appliances ?

Would any such reduction be more than counterbalanced by additional expenditure in other directions ?

80. Do you consider that there is any reasonable prospect of securing a reduction in labour costs in the near future by training operatives to tend more spindles or looms ? Has there been any improvement in this respect in recent years ?

81. Do you accept the figures given in paragraph 129 of the Bombay Millowners' representation in regard to the saving in the cost of cloth as a result of working double shifts ? Can you furnish an estimate of the saving that would be secured by double shift working for any mill with which you are acquainted.

82. Would it be possible or advisable to introduce double shift working in mills (*a*) in Bombay, (*b*) in Ahmedabad and (*c*) in up-country centres ?

83. To what extent, if any, has legislation in recent years affected the cost of production ? Please give full details under each head as far as possible.

(*d*) *Overhead charges*

84. The Bombay Millowners' Association in their representation have supplied full details of the local taxation imposed in Bombay. Please supply similar details for any up-country centre with which you are acquainted.

85. For what purposes is insurance effected by the Indian mills ? Do you consider the present position in regard to the amount of insurance and the methods of effecting it satisfactory ?

86. What do you consider the correct percentage which should be allowed for depreciation and how should the depreciation fund be utilised ? Do you consider that depreciation should be reckoned as a charge on cost of production or as a charge on profits ? How far does the ordinary mill practice coincide with your views on these points ?

87. On what principle are the stocks of cotton, mill stores and manufactured goods held by Indian mills valued for purposes of balance sheets ? Is there an independent valuation or are the auditors content with certificates from the managing agents ?

88. Is the audit of mill accounts a running audit or an annual one ?

(*e*) *Sales*

89. Please describe in detail the different systems adopted by the mills in selling their products. Which system you consider preferable and why ? Can you give any figures in support of your views ?

90. Is the system of sales on long credit prevalent ? What are your views regarding it ?

91. Please give full details of the additions which have to be made at the present time to the prices of Indian and imported yarns and piece-goods *ex* mill and *ex* godown respectively to make up their cost to the consumer. How do these compare with those ruling in 1913 ? Are they the same in all cases for Indian and imported goods ?

92. Do dealers in piece-goods now experience greater difficulties in obtaining finance than in pre-war years ? If so, to what extent has this contributed to the present depression in the industry ?

(*f*) *Transport*

93. Please give as full particulars as you can of the freights on cotton from India to the United Kingdom, Japan and Italy and on cotton from America, Egypt and Uganda to the United Kingdom, Japan, Italy and India.

94. Please give as full particulars as you can of the freights on piece-goods from the United Kingdom, Italy and Japan to India.

95. Can you give any instances of discrimination between Bombay, Ahmedabad and up-country centres in the rates of railway freight charged for the carriage of raw cotton, yarn, piece-goods and mill stores inwards or outwards ?

SECTION VII.—SUGGESTIONS AS TO REMEDIAL MEASURES

(*a*) *Suggestions put forward by the Bombay Millowners' Association*

96. Are you in favour of the proposal that the customs duty on machinery and mill stores should be abolished ? What difference in pies per pound of yarn or cloth produced would this make to the cost of production of any mill with which you are acquainted ?

97. What are your views on the proposal that the Company super tax should be abolished ?

98. What are your views on the proposal that the town duty of Rc. 1 per bale levied in Bombay should be abolished ?

99. Can you suggest any improvements in the present railway facilities for the movement of cotton, yarn and piece-goods ?

100. Do you consider that any case can be made out for a reduction in the present rates of railway freight charged on cotton consumed by Indian mills and on piece-goods and yarn manufactured in India ?

101. What are your views on the suggestion that the Government of India should negotiate with the steamship companies with a view to reducing the shipping freights from Bombay to Madras, Calcutta, Singapore, Basra, Zanzibar, Mombasa, Port Said, the Levant and all other export markets ? Can you give a comparative statement showing the present freights between Bombay and these ports and those which ruled before the war ?

102. What are your views on the suggestion that the Government of India should appoint Trade Commissioners to assist the export trade ?

103. Can you suggest any other measures by which (*a*) those overseas markets for Indian yarn which have been lost could be recovered, (*b*) the present overseas markets for Indian yarn and piece-goods could be extended and (*c*) new markets could be opened ?

104. The Bombay Millowners' Association have suggested the imposition of an additional duty of at least 13 per cent. on yarn and piece-goods imported from foreign countries which compete unfairly with India. Are you in favour of the imposition of such a duty (*a*) on imports from Japan alone, (*b*) on all imports, (*c*) on yarn of certain counts and on cloth of certain qualities ? If the last, please state the counts and qualities on which you consider the duty should be imposed.

105. If you are in favour of such a duty, do you consider that it should be imposed as a temporary or a permanent measure ?

106. Do you consider that the imposition of the proposed protective duty would result in a temporary or permanent increase in the price of all yarn or cloth or only of the yarn and cloth on which the duty was imposed ? In either case, to what extent would the increased price affect the cost of living of the middle and lower classes ?

107. Do you consider, on the other hand, that the result of the imposition of the proposed additional duty would merely be such increase in sales as might result from the displacement of imported yarn and cloth ?

108. Do you consider that the internal competition between Indian mills would operate to restrict the increase in the price of yarn and cloth throughout the whole of India or only in local areas ?

109. Do you consider that an increased import duty should be levied even if it increases the prices of yarn and cloth to consumers ?

110. Do you accept the view of the Bombay Millowners' Association that the raising of the import duties to 11 per cent. did not raise the price of cloth or check its consumption ? If so, please give figures in support of your views.

111. Do you consider that an increase in the duty on imported yarn and cloth would act as a restriction on the consumption of yarn and cloth ? If so, do you consider that this would be in the best interests of the mill industry in view of the fact that the figures in paragraph 121 of the representation of the Bombay Millowners' Association show that exclusive of the production of hand looms the cloth available for consumption in India in 1924-25 was still 638 million yards below the figures for 1913-14 in spite of the increase in population in the interim ?

112. To what extent, if any, do you consider that the increase in the duty on imported yarn and cloth would, by diverting yarn and cloth from India, unfavourably affect the position of Indian yarn and cloth in overseas markets ?

113. What do you consider would be the effect on the hand loom industry of the increase in the duty on imported yarn from 5 to 18 per cent. ? In this connection, your special attention is drawn to the views expressed in paragraph 116 of the Fiscal Commission's Report.

114. The Bombay Millowners' Association have asked for the adoption of a scientific tariff by which presumably is meant the adoption of specific duties on yarn and cloth in lieu of *ad valorem* duties. What are your views on this suggestion and how would you propose that such a tariff should be framed (*a*) to maintain the protection given at its present level, (*b*) to achieve the objects desired by the Bombay Millowners' Association ?

114A. With reference to question 114 of the Board's original Questionnaire the following scheme for recasting Article 103 of the present Tariff Schedules has been submitted for the consideration of the Board. Please state your views in regard to it. Can you suggest a scheme for basing the valuation on weight per square yard and number of threads in a square one inch side ?

Serial No.	Name of Articles	Per	Tariff valuation	Duty
				Per cent.
103	Cotton Piece-goods, excluding the descriptions given below : ..	....	*Ad valorem*	11
			Rs. a. p.	
	Grey plain— Madapollams	Square yard ..	0 1 9	11
		*lb. ..	1 2 0	11
	Mulls	Square yard ..	0 2 11	11
		*lb. ..	1 10 0	11
	Jaconets, Shirtings, Sheetings, T. Cloths	Square yard ..	0 4 8	11
		*lb. ..	1 3 0	11
	White plain— Shirtings, Mulls, Nainsooks, Jaconets	Square yard ..	0 5 0	11
	Coloured woven and dyed— Shirtings, Mulls, Jaconets, Madapollams, from the United Kingdom	,, ..	0 4 6	11
	Do. do. from Japan.	,, ..	0 3 8	11
	Umbrella cloths, Italians, Sateens, Cambrics, Flannels, Flannellettes, Loongies, Sarongs, from Japan	,, ..	0 7 6	11
	Do. do. from other countries	,, ..	0 9 8	11
	Printed— Saries, Scarves, Chintz, Chooneries, Chagras, Cambrics, Splits, Twills, Muslins, Spots, Stripes, Jeans	,, ..	0 7 0	11
	Tape-bordered Chadars and Scarves, all kinds	..	0 3 7	11
	Drills and Jeans, all kinds except Printed Drills and Printed Jeans, from Japan	,, ..	0 6 7	11
	Twills all kinds, of any width from 30" to 35" except Printed Twills— From United Kingdom ..	,, ..	0 7 10	11
	From other countries ..	,, ..	0 5 5	11
	Bordered Dhutis, Saris, Scarves, Chadars (except Printed Saris and Scarves and tape-bordered Scarves and Chadars), Dukries, Tikris and Jaconets, all kinds	,, ..	0 4 6	11

* The tariff valuation per lb. is suggested as a possible alternative to the valuation per square yard.

115. The Bombay Millowners have asked for additional protection beyond 13 per cent. to enable mills to make the necessary allowances for depreciation to plant and machinery. Do you support this proposal ? If so, what additional protection do you consider would be required ?

(b) Other suggestions

116. Are you in favour of an export duty on cotton ? If so, at what figure would you place it ? To what extent do you consider such a duty would affect (*a*) the income of cotton growers, (*b*) the area under cotton, (*c*) the price of cotton in India and (*d*) the price of Indian cotton in overseas markets ?

117. To what extent, if any, do you consider that the imposition of a duty on cotton at the rate you suggest would result in the replacement of Indian cotton in overseas markets by American or other cotton ?

118. Can you suggest any improvements in the banking facilities at present available to the industry ?

119. Do you consider that the position of the industry could be improved by better organisation of the millowners, *i.e.*, by greater co-operation between the mills in such matters as the purchase of cotton, machinery and mill stores, the state of the finished products, the standardisation of lines and prices or by any other combined action ?

120. How far would progress in spinning finer counts, *i.e.*, counts above 30s in India affect the condition of the industry ?

121. Do you consider that it would benefit the mill industry if different mills were to specialise to a greater extent than at present on certain counts of yarn or on certain types of cloth ? Are mills at present equipped for specialisation ?

122. Do you consider that the mill industry as a whole would benefit by extending its range of production and that, *e.g.*, the Bombay mill industry would benefit if it were to pay greater attention to the requirement of the Calcutta market ?

123. Do you consider that greater attention should be paid by the Indian mills to bleached, dyed and printed goods, to the utilisation of waste and to subsidiary branches of production such as hosiery ?

124. Do you consider that the full effect of the remission of the excise duty has yet been felt ?

125. If there are any causes which, in your opinion, contribute to the depression in the industry other than those mentioned above, please state them with suggestions as to possible remedies.

126. Can you suggest any methods of assisting the industry other than those which have been referred to in the above questions ?

SPECIAL QUESTIONS FOR THE BOMBAY MILLOWNERS' ASSOCIATION

1. In paragraph 130 of their representation, the Association have asked for the adoption of " a scientific tariff " so that the goods which Indian mills can manufacture and supply to India shall not be open to unfair competition from foreign competitors. Please explain exactly what is meant by a scientific tariff and how the Association consider it should be framed to achieve the object they have in view.

2. In paragraph 131 of their report, the Association ask for protection in addition to the 13 per cent. proposed in that paragraph to enable mills to make the necessary allowances for depreciation to plant and machinery. What additional duty do the Association consider should be imposed for this purpose ?

3. Please give an account of the working of the Millowners' Association Mutual Insurance Fund for workmen's compensation and state whether the Millowners' Association has under contemplation any similar scheme for fire and other insurances.

APPENDIX A

A. *Cost of production of one pound of grey yarn*

	——	Pies	Percentage of total cost
1.	Cost of cotton required to manufacture 1 lb. of grey yarn.		
	Manufacturing charges		
2.	Cost of fuel and power		
3.	Cost of water for power purposes		
4.	Cost of water for all purposes other than power ..		
5.	Cost of stores consumed		
6.	Repairs and upkeep of machinery		
7.	Wages to operatives inclusive of bonus and all allowances.		
8.	Superior supervision		
	Overhead charges		
9.	Rates, taxes, licenses and fees		
9A.	Interest and brokerage on working capital		
10.	Insurance		
11.	Repairs and upkeep of buildings		
12.	Depreciation		
13.	Office expenses (*a*) at mill, (*b*) at registered offices of company.		
14.	Brokerage and commission		
15.	Schools, welfare work and dispensary		
16.	Provident fund ..		
17.	Miscellaneous expenses not otherwise specified ..		
	Total cost ..		

B. *Cost of production of one pound of standard grey calendered long cloth*

	——	Pies per lb.	Percentage of total
1.	Cost of yarn used for manufacturing one pound of cloth ..		
	Manufacturing charges		
2.	Cost of fuel and power		
3.	Cost of water for power purposes		
4.	Cost of water for all purposes other than power ..		
5.	Cost of stores consumed		
6.	Repairs and upkeep of machinery		
7.	Wages to operatives inclusive of bonus and all allowances		
8.	Superior supervision		
	Overhead charges		
9.	Rates, taxes, licenses and fees		
9A.	Interest and brokerage on working capital		
10.	Insurance		
11.	Repairs and upkeep of buildings		
12.	Depreciation		
13.	Office expenses (*a*) at mill, (*b*) at registered offices of company.		
14.	Brokerage and commission		
15.	Schools, welfare work and dispensary		
16.	Provident fund		
17.	Miscellaneous expenses not otherwise specified ..		
	Total cost ..		

Witness No. 4

THE GOVERNMENT OF MADRAS

Written Statement dated the 14th September, 1926

I am directed to forward copies of notes prepared by the local Directors of Industries and Agriculture.

2. The two important measures of protection suggested in the interests of the future well-being of the Bombay mill industry are an export duty on raw cotton and an import duty on foreign yarn. These two measures have to be considered from the point of view of the local cotton grower and the handloom weaver. One of the most important points that the Tariff Board is investigating is the extent to which the management of the cotton industry in Bombay is responsible for its present depression. Until the reasons for the depression are ascertained and the industry reformed and placed on sound business lines this Government are unable to recommend any form of assistance or additional taxation.

A. NOTE BY THE DIRECTOR OF INDUSTRIES

SECTION III

Internal Competition

38. The products of the handloom weaving industry all over India undoubtedly compete to a greater or less extent with those of the mill industry. So far as the Madras Presidency is concerned the extent of competition varies according to the class of goods. The following examples will serve to illustrate the relative sphere of the hand and power-loom. Coloured fabrics made on handlooms and commonly known as handkerchiefs, kailies, lungees and saddies are in very large demand and the business is in the hands of competent exporting houses with considerable financial backing. The exports of these goods amount to approximately 38,000,000 yards valued at Rs. 25,000,000 per annum. The manufacture of handkerchiefs has not yet been taken up by Indian mills, but there has been a great change in recent years. Attempts have been made with a considerable amount of success to produce these goods on powerlooms in European mills, and it is feared that this will operate to check the development of the Madras handkerchief industry unless steps are taken in the meantime, to improve its organisation. Secondly, superfine varieties of grey goods with gold and silver thread borders and artistic figured garments and solid bordered fabrics are practically a monopoly of the handloom as they do not lend themselves to production so economically on powerlooms as on handlooms. Thirdly, cloths made on handlooms from fine imported yarns above 40s have in recent years met with strong competition from Japanese made cloth.

Lastly, cloths produced from coarse and medium counts of mill-made yarn, which form the bulk of the wearing apparel of the poor and middle classes, meet with very keen competition from cloths produced by mills in India and those imported from Japan.

39. Reliable information as to the extent of yarn produced from the *charka* or the spinning wheel throughout India is not available, as it is almost impossible to collect figures of actual daily production from the homes of thousands of hand spinners. The value of yarn spun on the charka in Southern India was recently estimated by one of the local papers at Rs. 6½ lakhs during the year 1924-25, but I can offer no opinion as to the accuracy or otherwise of the figure. The weight of cloth produced on handlooms in India can be ascertained indirectly by reference to the export and import trade in yarn and cloth and production of yarn and cloth in mills in India. The approximate quantity of cotton yarn consumed per annum by the handlooms in the whole of India and in the Madras Presidency may be taken as 200 million and 60 million pounds (lbs.) respectively. It will thus be seen that one-third of the total quantity of cotton goods manufactured on handlooms in India is produced in Southern India. Figures given in terms of weight alone do not, in the absence of specific counts, convey any real idea of the length of cloth produced on the handlooms. But if 3 yards of cloth per lb. of medium counts and 12 yards for every lb. of fine yarn is allowed for, the net imports in the pre-war rate calculated on five years average of cotton goods were about 2,600 million yards against about 1,000 million yards woven by the Indian mills and 1,200 million yards woven on handlooms. The post-war average of imports is about 1,500 million yards against 1,600 million woven in Indian mills and about 980 million yards woven on handlooms.

Section VII—Remedial Measures

(a) Suggestions put forward by the Bombay Millowners Association

96. I think there is a good deal to be said in favour of the proposal to abolish the customs duty on machinery and mill stores. In the case of existing mills the abolition of customs duty should assist, amongst other measures, to which reference will be made later on, to enable the mills to operate satisfactorily. There is great scope for the establishment of additional cotton mills in Southern India, but so far the difficulty in arranging for the necessary finance has proved insuperable and the abolition of the customs duty on machinery and mill stores would reduce the amount of capital required to finance a new mill. The reduction in the cost of mill production would be about 1½ pies and 2 pies per pound of yarn and cloth respectively. With the abolition of the customs duty, it is but fair that the heavy duty of 15 per cent. now levied on textile machinery driven by hand and on handloom weaving appliances, such as, automatic handlooms, tape slays, jacquards, knitting machines, shuttles, jacquard cards, card cutting machines, etc., should be abolished. When the question of abolishing the import duty on handloom weaving appliances was taken up by the department a few years ago, the Government of India declined to accept the suggestion on the ground that the handloom weavers do not pay an excise duty on cloth produced on their looms. The remission of the excise duty will benefit the millowners when the accumulated stocks are reduced and I consider that the import duty on handloom weaving appliances should likewise be abolished, as otherwise the revival of the handloom industry would be hampered.

97. I am in favour of the abolition of the company super-tax as its remission would enable the millowners to strengthen the financial position of the mills and to go in for some much needed improvements.

98. There is no town duty levied in the Madras Presidency but its abolition in Bombay would doubtless assist the millowners there in meeting competition.

99, 100 and 101. A reduction in freight rates would doubtless be of great assistance to Indian mills but I can offer no opinion as to whether any such reduction is practicable under present circumstances.

102. I am in favour of the appointment of Trade Commissioners who would furnish first hand information as to the class of Indian products and styles of cloth in demand in overseas markets. In course of time this should result in an improved demand for the products of Indian mills as also cloths produced on handlooms in India.

103. A condition precedent to the recovery and development of overseas markets is a reduction in the cost of production and this can only come as a result of better methods of organisation in respect of Indian mills and the Indian handloom industry.

104 and 105. In the interests of the handloom weaving industry, I am opposed to increasing the duty on imported yarn and am inclined to favour the removal of the present *ad valorem* import duty of 5 per cent. now levied on yarn. The abolition would help power weaving mills, which are not combined with spinning mills, as well as the development of the handloom weaving and indigenous dyeing industries and subsidiary manufactures, such as hosiery. Nearly 75 per cent. of cotton yarn consumed by handloom weavers is imported from overseas. It pays the Indian mills to produce coarse and medium counts of yarn. They do not produce yarn of fine counts on a large scale and the increase of duty on yarn would not therefore materially help the spinning mills in India. A large quantity of imported fine grey yarn is dyed and utilised in the manufacture of a class of coloured goods referred to in my answer to question 38. The removal of the import duty would therefore not effect even the weaving mills in India. The handloom weaver cannot afford to pay more for his yarn than he is doing at present as the price of the hand woven product is already at a higher level than that of mill made cloth. This imposition therefore constitutes a burden on the mass of poor people with small resources who indirectly pay the duty. When Japan gradually assumed the control of the China market to the exclusion of inferior and costly Indian mill made yarn, the Indian millowners proceeded to add weaving sheds to their spinning mills and necessarily produced yarn superior in quality to that formerly exported to China. The Indian mills hope to supply with the aid of an enhanced duty of 18 per cent., the bulk of the yarn of all counts below 40s used by the handloom weavers in India. In my opinion, it would not be in the interests of the handloom weavers in India if they were to depend entirely on the Indian mills for the supply of yarn. The fact that handloom weavers demand yarn in straight reeled banks indicates that they have little faith in Indian mill yarn being of reputed counts and of correct length for a given weight, leaving aside the more important question of strength and elasticity required for standing frictional resistance and strain during weaving.

I am in favour of raising the present import duties levied on cloth. This should enable the mills to withstand Japanese competition in cloths made from medium counts of yarn. Importation of cheap Japanese fine cloth has resulted in a distinct set back to the handloom weaving industry. The proposed increase in duty will find a ready sale for the product of the handloom ; it will also afford continuity of employment to handloom weavers and enable them to earn as much if not more than a powerloom weaver. By improving the position of the handloom industry and the earnings derived form it, it is possible to solve to some extent the growing problem of unemployment among the educated middle classes, who have already taken to handloom weaving.

106. A protective duty on cloth would assist the millowners to withstand foreign competition whilst handloom weavers will adjust themselves to the production of fabrics which cannot be produced economically by weaving mills in India. The question of cheapening cloth for the masses could eventually be solved only by stimulating and increasing the manufacture of woven goods in the country itself and as far as the handloom weaving industry is concerned, by the formation of co-operative societies on a large scale for the linking up of power warp distributive factories with handlooms. There may be an increase in price at first as the result of the increased import duty on cloth but ultimately the foreign cloth would be displaced by the products of handlooms in the case of cloths made from fine counts and by the products of Indian mills in the case of cloths made from medium counts of yarn. Internal competition should suffice to keep prices at a reasonable level.

108. It is somewhat difficult to state what effect internal competition would have in the whole of India but I think it would operate to restrict any increase in price in local areas.

109. As already stated I am not in favour of increasing the import duty on yarn as it would be a burden to the handloom industry and also to the consumer. It is the influx of foreign yarn that has cheapened the production of hand-made goods and extended their use by the poorer classes and this has taken place without prejudicially affecting the mill industry.

110. I am unable to give figures to show whether or not the price of cloth was affected by the raising of the import duty to 11 per cent.

111. The figures given by the Bombay Millowners' Association in terms of yards without reference to the counts are not of much value. The proposed increase in the import duty on cloth should not restrict the consumption of cloth as the products of the Indian mill and the handlooms would displace the imported cloth.

112. Indian millowners still possess foreign markets. If the weaving mills as a result of the import duty are able to produce more cheaply, they should be able to retain that foreign markets and develop them.

113. Such a large increase in the duty of imported yarn would extinguish the manufacture and export of a large quantity of the coloured goods mentioned in reply to question 38. It would also greatly restrict the manufacture of fine cloths on handlooms. The bulk of the weavers whose sole occupation is weaving, will be driven to take to the manufacture of cloths made from coarse and medium counts of yarn in competition with products of the powerlooms in India and the handloom weaving industry will sooner or later be extinguished. The imposition of an import duty on cloth will stimulate the demand for the products of the handlooms, offer continuity of employment and thus help to cheapen the price of cloth.

115. I am not in favour of the additional protection asked for.

(b) Other suggestions

116. I am not in favour of an export duty on cotton as this would be detrimental to the interest of the cotton growers and would tend to increase the price of imported yarn.

118. Improvement in the provision of banking facilities in the cotton districts is desirable.

119. The position of the cotton mill industry could be greatly improved by removal of various mal-practices by better internal organisation.

120. Attempts to spin finer counts with proper types of machinery, maintenance of correct humidity and trained labour should prove profitable to Indian millowners.

121. Specialisation in the production of certain ranges of counts by different mills and certain types of cloths would be beneficial. The equipment at present is adequate for specialisation.

122. If mills specialised in the production of different counts and qualities of yarn and types of fabric it follows that they must necessarily study the requirements of the various markets in India to ascertain which will pay them best.

123. Indian mills should improve the present methods of dyeing, bleaching and finishing but more especially warp and weft preparatory processes. Utilisation of waste and manufacture of hosiery goods will also be profitable, if a few mills specialised in the production of yarn suitable for knitted fabric.

124. The abolition of the cotton excise duty will take some time to make itself felt owing to the accumulated stocks on hand.

125. The cotton industry throughout the world has undergone during the last few years a period of unexampled depression. The present depression is not felt alike by all mills in India as better managed mills of which instances could be given have not been affected to anything like the same extent. The cycle of prosperity has been followed by a cycle of depression which has been intensified by the lack of foresight of the mill owners in not conserving their resources during the war and the post-armistice boom which followed. The unwillingness of the mill agents to sell their products at a sufficiently low price made from cotton purchased at high rates and at a high cost of labour also appears to have contributed to the continuance of the depression, since the price of cloth has not fallen to the same extent as that of other commodities. An improvement in the "costing" system of the mills is also desirable in order that the cost of production may be accurately determined with reference to the production of particular counts of yarn and variety of cloth. A more careful selection of cotton mixings is necessary for maintaining the uniform working of cotton in the mills. The selection of properly qualified supervisors would help to increase the standard of efficiency and it is of equal importance that millowners should appoint a few efficient workmen in every branch of the mill to train new comers or indifferent workers.

126. Spinning mills may with advantage distribute prepared warps to the handloom weavers. The starting of night technical schools and mill dispensaries, as also the introduction of a properly organised provident fund are suggested. Any steps that would tend to improve the relations between the employer and the employee are to be commended.

B. NOTE BY THE DIRECTOR OF AGRICULTURE

I am not in favour of an export duty on cotton for the following reasons :—

Overseas cotton prices are fixed with reference to a middling American standard. Any duty levied on small consignments of Indian cotton would be borne by the exporter and ultimately by the grower, that is the ryot. An export duty would have the effect of restricting exports.

2. A small export duty would not affect the actual area sown with cotton. In some cases, for instance the black cotton soils in this Presidency, cotton is the natural crop for the rotation, and it would persist as such. A slump in the price of cotton, or enhanced returns from a crop like groundnut, which can replace cotton on large areas of suitable soil, are much more probably causes of fluctuation in the area sown.

3. So long as the greater part of the Indian cotton crop must be exported any tax or duty likely to restrict this export will tend to lower the price to the grower. The manufacturer will gain at the expense of the grower.

4. The bulk of Indian cottons are short to medium stapled and can easily be substituted for ordinary manufacturing purposes. Long stapled high grade cottons, which are essential for making certain kinds of textiles, cannot be so easily replaced. An improvement in quality and length of staple would undoubtedly tend to maintain values. Indian cottons are not at present very well known in the overseas markets. Marketing propaganda might possibly enhance values.

5. Suitability, availability, and price are the main factors which determine the demand for any particular variety or grade of cotton in the overseas markets. Indian cotton can be easily replaced by other cottons and does not therefore hold any monopoly as regards its suitability. American crop outturns have been satisfactory for the last two years. The quantity available is ample and there are no grounds for anticipating a serious shortage for some time to come while a corner in the overseas cotton market is extremely unlikely. Prices therefore remain the controlling factor in the overseas demand and if an export duty is likely to be borne by the exporter, American would not replace Indian cotton in countries which had become accustomed to its use.

6. I have insufficient evidence before me to make any suggestion as to the figure at which an export duty should be placed should it be decided to levy such a duty.

Witness No. 5

THE GOVERNMENT OF BOMBAY

Written Statement dated 13th September 1926

I am directed by the Government of Bombay to state that they do not desire to offer observations on any of the points raised in the questionnaire. In accordance with the request of the Board, I am to forward herewith notes prepared by the Director of Industries and the Director of Agriculture, respectively, on the Hand Loom Industry and on the possible effect of an export duty on cotton. The Director of Industries has not prepared a separate note on Hand Loom Industry (question 38) as the subject matter has already been discussed at great length in Mr. Bell's notes on the Indian Textile Industry with special reference to hand weaving and also in the Foreword to these notes prepared by Mr. Bharucha the present Director of Industries, copies of which are forwarded herewith for the information of the Board. The subject of the Hand Loom Industry has also been discussed in the Annual Report of the Department of Industries for 1924-25 on pages 11 to 15, copy enclosed herewith.

A NOTE BY THE DIRECTOR OF INDUSTRIES, BOMBAY

In table IV of Mr. Bell's notes sent herewith figures in millions of lbs. of yarn available for hand looms are given in column 4. This total is made up of Indian mill-made yarn as well as the imported yarn. In table II, column 5, net consumption of imported yarn in India is given in million lbs. This includes coloured, mercerised and twist, etc., used by hand looms as well as by mills. It is not possible to find out how much of the imported yarn is used by the mills and how much by the hand looms, but as some of the mills have taken to producing fine dhoties, mulls, cambrics, lawns, fine shirting, etc., it may be safely assumed that 25 per cent. of the quantity of the imported yarn is used by mills.

2. The average annual quantity of imported yarn consumed in India during the last five years is only 48 million lbs. as given in column 5 of table II. Assuming 25 per cent. of this to have been used in the mills it leaves only 36 millions of lbs. for the hand looms. The average quantity of foreign as well as mill made yarn available for hand looms for the same period is 297 million lbs., as given in table IV, column 4. Deducting from this 36 million lbs. of foreign yarn, 261 million lbs. of Indian mill made yarn available for hand looms is obtained. The foreign yarn used by the hand looms is therefore about 12·1 per cent. of the total yarn used by them.

3. The hand looms therefore use about 88 per cent. of Indian mill made yarn and only about 12 per cent. of foreign yarn. The foreign yarn used by the hand looms is mostly of counts above 30s which is used for high class fabrics such as fine sarees, dhoties, etc., worn by the better class of people.

4. A very large number of hand loom weavers work for merchants who supply them with yarn and buy over their finished goods paying wages per piece. If therefore a heavy import duty is levied on all imported yarn it will not fall directly on hand loom weavers as is assumed in paragraph 116 of the Report of the Indian Fiscal Commission but the merchants who buy and supply foreign yarn to the hand loom weavers and also take over their woven goods will adjust the selling price of the latter in accordance with the price of the foreign yarn available, and as the woven goods made from foreign yarn are worn usually by well-to-do people the stress of the higher prices will not be very much felt.

5. The proposed enhanced import duty on yarn therefore is likely to affect only about 12 per cent. of the hand loom products and the extra burden will ultimately fall on the consumers.

NOTE BY THE DIRECTOR OF AGRICULTURE, BOMBAY

I have the honour to acknowledge receipt of Government Memorandum No. 6722-A/24 of August 18th, 1926, asking my opinion regarding the possible effect of an export duty on cotton.

As Indian cotton is not the factor which controls price to any large extent in the overseas markets, even for the types of cotton which are the speciality of India in these markets, I do not think that an export duty would be likely to be in any sense paid by the consumers abroad. It would, in fact, only restrict the market, without any compensatory advantage from the actual producer's point of view. I put this view forward with diffidence, because it is so purely a matter of opinion, but it seems clear nevertheless.

I should therefore expect that an export duty would be almost entirely paid by the producer, in the sense that it would operate, to the extent to which it restricted export, in a reduction of the price paid to the cotton growers, and so would be a contribution from the cotton growers to the cotton manufacturers, including hand weavers. This would happen unless the area is reduced to the extent to which restriction of export caused a fall in price.

We have, therefore, to consider two questions (1) Will there be a fall in area if an export duty is imposed ? (2) Can the cotton growers afford to subsidise the cotton manufacture in this way ?

1. Will there be a fall in area if an export duty is imposed ? We appear to be at present on the edge of a period of low prices for raw cotton. The prices now being paid are lower than for a number of years and there is already a tendency to restrict area in the Bombay Presidency. The figures for the present year are not yet available, and this is the first year in which the tendency is likely to be seen. But from what I have in hand, there is a reduction in area in Khandesh, and in Sind, though this last is chiefly due to other causes. For Gujarat and the Karnatak I have no reliable figures. But the *present* prices *are* likely to restrict area in the Bombay Presidency and if they fall further (as is likely) then I feel certain that a considerable further fall in area will result. The effect of the fall of prices in 1914 was not got over for a number of years.

If this fall takes place, cotton will be replaced to a limited extent by the equally valuable crop of groundnuts particularly in Khandesh. Apart from this the tendency will be to replace it by the much less valuable grain crops (*Jowar* and *Bajri*).

An export duty will, therefore, tend to emphasise in the Bombay Presidency, the present (1926) tendency to reduce the cotton area.

2. Can the cotton growers afford to subsidise the cotton manufacturers in this way ?— Since the recovery from the slump of 1914, cotton growing has been profitable, but it has become less and less profitable in recent years. The peasant cultivator, who employs the minimum of labour, has suffered least, but, with rising wages and lowering prices, the margin of profit in every case has become much lower and I do not think that there is sufficient margin to warrant a subsidy from the grower to the manufacturer. With a substantial import duty on cloth (which will reflect itself in local prices) which a cultivator must buy, and with an export duty on cotton which he must sell, the cotton grower would, I feel, be mulcted at both ends. I am emphatically therefore against an export duty on cotton.

As regards question 117, I am inclined to feel that any export duty would cause the replacement of Indian by American cotton in overseas market, almost to the extent that the price is raised. The Indian cotton is used because it is cheaper not (except in a few cases) for its intrinsic advantage.

Witness No. 5

THE GOVERNMENT OF BOMBAY

Further statement dated the 1st November 1926

I am directed to forward the accompanying statement, which embodies the views of Government on the proposal to abolish the town duty on cotton, with particular reference to the contention that the duty ought to be abolished because Government have not carried out their original programme of building 50,000 tenements for the working classes and letting them at a rent of Rs. 5-8 per month.

Statement accompanying Government letter No. S.D.-1737, dated the 1st November 1926, to the Secretary, Indian Tariff Board (Cotton Textile Industry Inquiry).

I

The town duty on raw cotton imported into the city, by sea or land, from any part of India, is levied at the rate of Re. 1 for every bale weighing approximately 3¼ cwts., under the provisions of the Bombay Act No. XX, called the City of Bombay Municipal and Improvement (Amendment) Act, 1920. The primary object of the levying of the town duty was that the Government should be able to construct 50,000 tenements for the working classes in the Town and Island of Bombay, and the secondary object was that Government should further be able to carry out certain schemes of improvement and development in the Bombay Suburban Revenue Division, and that the Municipal Corporation should be enabled to carry out diverse large and important works. Raw cotton intended for immediate exportation is not exempted from the levy of the duty; nor is any refund allowed on its export.

The Bombay Municipality collects the duty and pays this Government 4/7ths of the gross revenue and retains 3/7ths, after deducting the cost of collection.

2. In their replies to the questionnaire of the Board, in so far as it deals with the effect of recent legislation on the cost of production (Question 83) and the proposal that the town duty on cotton should be abolished (Question 98), the Millowners' Association have referred to their views stated in paragraph 111 and at the close of paragraphs 124 and 130 of their statement, dated the 17th July 1926, addressed to the Textile Industry Tariff Board.

In paragraph 111 of the said statement, the Bombay Millowners' Association have dealt specifically with the town duty and have stated the main grounds on which they claim that it should be abolished. These grounds are :—

> "The payments received from the Bombay mills from this tax, which amount to Rs. 10—12 lakhs per annum are shared by the Development Department and the Municipality, and the object of the tax was the provision of cheap and satisfactory housing accommodation for the millhands. The failure of the housing scheme, in the opinion of the Association, makes the continuance of this tax unjust, though from the correspondence Government do not seem disposed to remove this unfair burden on the industry.
>
> "This tax was levied by the Government of Bombay under Sir George Lloyd for the express object of providing 50,000 one-room tenements for the millhands of Bombay to be let to them at a rental not exceeding Rs. 5-8 per month.
>
> "The estimated cost of these rooms was Rs. 1,100 each, but only 16,000 odd rooms at the cost of Rs. 2,100 each have been erected and Government now demand rents of Rs. 6-8—Rs. 10 per room. Government failed to carry out their undertaking and are unable to let the tenements at these rates and their miscalculations have put this heavy additional tax on the industry."

That is to say, the claim is based on the fact that Government have not built 50,000 tenements, at a cost of Rs. 1,100 each, and let at a rental of Rs. 5-8 per month.

3. Government have not built 50,000 tenements at a cost of Rs. 1,100 per tenement, because it could not be done. But Government have built 16,544 tenements, healthily situated, with ample air spaces, and very well equipped sanitarily, at the reasonable cost of Rs. 2,084 per tenement. That this cost is reasonable may be seen from paragraph 19 of the Directorate Report for 1925, where the cost of the Development chawls is compared with that of post-war chawls built by the Improvement Trust. There has been no charge against the Improvement Trust of extravagance or waste in the building of their chawls.

4. With the decrease in population of the City since the scheme was conceived, and the slump in trade and industry, there is no necessity for 50,000 tenements being built. It would be a waste of money. The rents charged by the Development Directorate are very reasonable indeed, compared with the rents charged for similar accommodation in the neighbourhood of the Development Directorate chawls. Yet the Development Directorate chawls have not filled up as the following statement of vacancies shows; and if there had been 50,000 rooms instead of 16,544, the situation would have been very much worse :—

DeLisle Road	Naigaum	Sewri	Worli	Total
774	1,869	442	8,399	11,484
30 per cent.	56 per cent.	46 per cent.	87 per cent.	69 per cent.

5. The rent of the tenements is not so low on the average as Rs. 5-8 per month, because the income from the cotton cess assigned to housing of the working classes is not nearly sufficient to cover the difference between this rent and the so-called "economic" rent of Rs. 16. Nevertheless, a good many rooms are available at Rs. 5-8 as the following statement will show, and a greater number at the slightly higher rate of Rs. 6 :—

Locality	Rent	Number of rooms
	Rs. a.	
Worli	5 8	2,420
	6 0	7,260
Sewri	6 8	240
	7 0	720
Naigaum	8 0	836
	8 8	2,508
DeLisle Road	9 0	640
	9 8	1,920

Moreover, of the 2,420 rooms provided at Rs. 5-8, only about 247 are occupied.

6. If millowners are willing to take up whole chawls for the housing of their labour and pay a fixed lump sum rent per chawl, the Development Directorate is ready to lease chawls to them at rents which work out at the flat rates per room per month shown in the following table :—

Locality	No. of chawls (of 80 rooms each)	Rate per room per month
		Rs. a. p.
Worli	121	4 14 9
Sewri	12	6 0 0
Naigaum	42	7 0 0
DeLisle Road	32	8 2 4

The average for Worli, Sewri and Naigaum works out to Rs. 5-7-11, and it is a significant fact that several of the mills charge higher rates than this for the accommodation they provide for their employees. It is needless to say that chawls built by millowners in pre-war days can be let at comparatively very low rents now.

7. The rents shown in paragraph 5 would not, even though only 10 per cent. were allowed for vacancies and bad debts, meet the expenditure (interest, sinking fund, repairs, etc.), even with the help of the cotton cess. There would be an annual deficit

of Rs. 1,12,000. This means that the employers of the working classes not only get the full benefit of the cotton cess, but are subsidised by the general community to an amount, which, at its lowest, would not be less than Rs. 1,12,000 per annum, and at present is about Rs. 4,70,000 per annum, a state of affairs which was not contemplated when the cess was imposed and, which it is hoped will not be permanent. The demand that the cotton cess be abolished is simply a demand that, in addition to the burden which the community in general must in future bear for the benefit of the working classes in Bombay City, the subsidy of Rs. 15,88,000 derived from the cess, should also be shifted on to the same shoulders. It is obviously fairer that the cotton trade should continue to provide this subsidy.

8. Further, the abolition of the cess would deprive the municipal schemes and the suburban development schemes of the aid which they have hitherto derived from it, facts which the Association appears to have ignored in its arguments for abolition. The realisations from the Town Duty since its institution and its allocation are shown in the following table :—

Year	Total net realisations of town duty	Amount retained by the Municipality	Amount paid to Government	Amount used for suburban development	Amount used to cover loss on chawls
	Rs.	Rs.	Rs.	Rs.	Rs.
1920-21 (3 months) ..	8,79,900	3,77,100	5,02,800	66,767	4,36,033
1921-22	34,80,952	14,91,836	19,89,116	4,00,000	15,89,116
1922-23	37,87,744	16,23,319	21,64,425	4,00,000	17,64,425
1923-24	35,92,661	15,39,712	20,52,949	4,00,000	16,52,949
1924-25	30,55,422	13,09,467	17,45,955	4,00,000	13,45,955
1925-26	34,82,333	14,92,428	19,89,905	4,00,000	15,89,905
Total ..	1,82,79,012	78,33,862	1,04,45,150	20,66,767	83,78,383

Even with the aid derived from the cotton cess the Suburban Schemes as a whole are not at present a paying proposition, though they may become so in course of time. Meanwhile, the loss must fall on general revenues, that is to say, on the people of the Presidency as a whole, though the benefit is derived by the City of Bombay. The abolition of the cess would mean that the burden of the subsidy of Rs. 4 lakhs, at present derived from the City of Bombay, would also be shifted to the shoulders of the people of the Presidency as a whole, a course which would appear to be manifestly unfair.

As regards the effect on municipal schemes, the Board has doubtless consulted the Corporation.

II

9. In paragraphs 124 and 130 of their statement, already referred to, the Association further contend that the cotton industry is overburdened with taxation, and that the Town Duty on cotton is a tax which " is hampering the industry and also making the port of Bombay a very dear port in comparison with other ports ".

The correctness of these statements and their bearing on the claim for abolition of the tax are matters for detailed investigation by the Tariff Board.

Witness No. 6

THE GOVERNMENT OF THE PUNJAB

Written Statement dated the 4th October 1926

I am directed to forward for the information of the Board copies of letters No. 373-S, dated the 10th September 1926, from the Director of Agriculture, Punjab, and No. 185-S, dated the 11th September 1926 from the Director of Industries, Punjab, giving the opinions of those officers on certain questions raised in the Cotton Textile Industry Enquiry questionnaire. The opinions expressed are those of the two officers mentioned, and are not necessarily subscribed to by the Punjab Government.

2. The questions that mainly concern this Government are Nos. 38, 113 and 116.

(*a*) As regards question 38, there is at present, so far as the information at the disposal of this Government goes, no effective competition between the hand-loom industry and the mill industry.

(*b*) As regards question 113, the object of the proposed increase in duty on imported yarn appears to be to give a better price to the Indian millowner. If it does this, the cost of production of hand-loom articles will necessarily increase. It is possible that the extra cost would be shared by the consumer, but the demand for cloth in India is characterised by one feature, *viz.*, it is a demand by a poor population for a cheap article. It seems therefore to be inevitable, if the price of yarn rises, that the demand for the hand-loom product will decline.

(*c*) The Punjab Government would prefer not to express any opinion regarding the desirability or otherwise of an export duty on cotton (question No. 116), until it is in possession, as a result of the Tariff Board's enquiries, of the information regarding the real causes, in the technical sense, of the depression in the Bombay cotton textile industry.

A NOTE BY THE DIRECTOR OF AGRICULTURE

I am definitely against the imposition of an export duty on Indian cottons. I think that such a duty would eventually be paid by the producer (farmer) as the buyer will merely reduce the price of cotton which he offers to the farmer to that extent. Only competition could prevent him from doing this, but the effect of the export duty will be to lessen the competition by tending to exclude foreign buyers. This export duty would therefore tend to discourage the growing of cotton and decrease the farmer's profit on what he does grow.

2. The Indian Cotton Cess amounting to annas 2 to 4 per bale consumed in or exported from India, was opposed chiefly on the ground that it would prove an additional burden on the cotton grower on whom the payment would ultimately fall, and the only justification for the levying of this cess is the fact that this money is spent in scientific research on cotton problems and on investigations into the growing and marketing of cottons with a view to the encouragement of cotton growing and the improvement of the position of the cotton grower. Nothing of this sort can be claimed in favour of an export duty on cottons.

3. The short staple cotton crop in India has increased by nearly 30 per cent. since 1915 and the medium long staple crop in the same period has nearly doubled; but still the total cotton crop consists of cotton with a staple under $\frac{7}{8}$ of an inch. The total crop of cotton grown in India in the year ending 30th June 1925 was estimated at 6,181,600 bales of 392 lbs. each, and of this crop 2,226,310 bales were used in Indian mills and 3,955,290 bales were exported.

4. The future development of cotton growing in India depends upon the farmer obtaining an increase in the profits of cotton production. Therefore it is to India's interests to produce types of cottons which are most in demand and which will fetch a higher price in the world's market. The basic staple in the world's markets is of not less than $\frac{7}{8}$ of an inch in length, and as stated above only about 30 per cent. of the Indian cotton crop is this length or more. America is using more and more of her staple cotton in her own mills, and it is desirable that the production of staple cotton in India should be considerably augmented both in the interests of Indian cotton growers, and also to meet the requirements of Indian mill which occasionally import a certain amount of American and other staple cottons.

5. As regards short staple cotton which forms about 70 per cent. of cotton produced in India, the result of the imposition of an export duty would be to place foreign growers of this type of cotton, chiefly in China and Korea in a relatively better position than the

Indian cultivator, out of whose pockets the duty would come and would stimulate the production of cotton of this quality in these countries, at the expense of the Indian producers.

6. The production of medium and long stapled cotton grown in India would similarly be adversely affected by the imposition of an export duty. A large amount of long stapled cotton is exported chiefly to Japan and the result of a duty would be that the producer would get a lower price for his cottons. Therefore he would be unable to compete with the growers of this type of cotton in other cotton growing countries in the world.

7. In short, I think the result of an export duty would be to discourage cultivation of all types of cottons in India by reducing still further the already low share which the Indian cotton grower gets of the value of his crop, and this in my opinion would be most harmful to the best interests of the country.

A NOTE BY THE DIRECTOR OF INDUSTRIES ON THE POSSIBLE EFFECT ON THE HAND-LOOM INDUSTRY OF AN INCREASE IN THE IMPORT DUTY ON YARN

The hand-loom industry in the Punjab has passed through various stages of transition during the course of the last decade. The impetus imparted to it during the great war ended in 1919, but soon after the Khaddar movement gave this industry an additional support. The emotional wave created by the Khaddar movement did not last long and the hand-loom industry once again found itself in a shaky condition. The last five years have seen a gradual change in the nature of products manufactured on the hand-looms. The manufacturers discovered that it was to their advantage to shift from cotton to natural silk and artificial silk, with the result that at present the majority of looms in the Punjab produce fabrics from these two fibres.

It is not possible to give a quantitative analysis of the industry in the Punjab as figures relating to the number of looms employed and the number of workers engaged in the hand-loom industry are not reliable. A preliminary census of the hand-loom weaving industry in the Punjab is being conducted by this department and it appears from the figures already compiled that there are at present 100,000 workers engaged in this industry. The number of looms is estimated at between 15 and 20 thousand. The majority of the looms are of the old pit type ; during recent years attempts have been made by this department to introduce fly shuttle types and it is expected that during the course of the next ten years the village weaver will adapt himself to the new type of looms. It is obvious, therefore, that efficiency is a good deal below par, and the production per day per loom is necessarily lower than what it ought to be. Inspite of this handicap, the hand-loom industry has managed to maintain its existence in this province.

A brief survey of the industry indicates that there is very little direct competition with the mill industry of Bombay, Ahmedabad and other centres. The products of the mill industry are marketed in the Punjab under conditions of mass production. There is always a wholesale demand for such goods as plain long cloth (grey and bleached), dhoties, susi, plain checks, plain shirtings and certain classes of fancy cloth. The products of the hand-loom industry cannot and do not compete in these goods as the principles of production in each case are materially different. It will not be an idle extravagance to say that, in relation to the products of the mill industry the hand-loom industry possesses an independent existence of its own, and for this reason there is no direct competition between the products of the former and the latter, except in certain classes of goods.

The products and the markets of the hand-loom industry may be divided into two distinct categories. Under the first category we may note the production of such goods as khaddar, lungies, khes, etc. The manufacture of these articles is at present confined to Pak Pattan, Kamalia, Jhang, Leiah (Muzaffargarh District) and Bhera. The products of the hand-looms working in these centres are generally marketed through local agencies. The weavers are, as a rule, so poor that they cannot afford to finance the industry. The local agents who book orders from outside give them advances and pay them according to the quality of the work produced. There is no external demand whatever for these goods. The yarn used is generally mill-made and varies from 10s to 12s counts. A small quantity of hand spun yarn is also consumed by this branch of the hand-loom industry.

Under the second category we may note the production of such goods as shirtings, coatings, checks (Jacquard designs) towels and certain classes of narrow-width goods. This branch of the hand-loom industry consumes fairly large quantities of imported yarn. In recent years the local manufacturers have shifted their centre of gravity from cotton to spun silk and artificial silk. There is, however, a regular demand for cotton goods as well. The industry is now concentrated in Ludhiana, Jullundur, Amritsar, Hoshiarpur and Gujarat. The products of this industry come in direct competition with the products

of the mill industry, but as the designs produced are more complex and possess greater variety the industry continues to maintain its existence. From enquiries made in these districts it appears that the products of this industry are, to a large extent, exported to Malabar, Ceylon, Burma and other parts of India. The Punjab manufacturer has adapted himself to the requirements of distant parts of India and has managed to find ready markets for his goods. The counts of yarn used in this industry vary from 20s. to 60s. There is a large consumpton of 22s, 30s, 2/30s, 40s, 50s and 60s. A good deal of mercerized yarn is also being used at present. The major portion of the yarn consumed is purchased through Japanese houses. There is, however, a good demand for Lancashire yarns as well. In recent years the local manufacturers have taken up the manufacture of "mixed" goods, *i.e.*, goods wherein cotton and spun silk or artificial silk yarns are used in warp and weft respectively. These mixed goods are supposed to leave a greater margin of profit to the manufacturer and find a ready sale in Southern India. Another factor which played an important part in the adoption of this policy by the manufacturer was the increased competition of the mill made goods. This tendency is at present acquiring a definite shape and it is likely that the hand-loom manufacturer will in the course of time take up the manufacture of goods requiring spun silk and artificial silk as warp and weft. In Amritsar and Ludhiana particularly the looms are now placed on mixed goods, and it is perhaps the adoption of this policy that is saving the industry in these two districts from extinction.

The next important point is the determination of the incidence of the increase in the duty on imported yarn from 5 to 18 per cent. The hand-loom industry is not so well organised as the mill industry, and it is, therefore, difficult to present a clear statement showing the various items entering into the cost of production of goods. The system adopted in the Punjab varies from town to town, and as a matter of fact in some cases the local weavers themselves do not know the exact cost of production of the goods they produce. The village weaver is a part time worker and as such he is concerned only with his earnings during the period when he is free from harvesting activities. The only other method is to examine the data ordinarily kept by a small manufacturing establishment in a town like Ludhiana. Taking into consideration the fact that the owner of a small manufacturing establishment purchases his yarn from a whole sale market it may be assumed that out of a total cost of production amounting to say 100, about 60 is represented by the cost of yarn; the balance includes the working charges, selling commission, etc. This means that an increase in the duty on imported yarn to the extent of 13 per cent. falls in the first place on the price of yarn itself, or in other words the manufacturer bears an additional charge of about 8 per cent. This additional charge may be regarded as a tax on the production of goods described in the second category. As the yarn produced in Indian mills is generally consumed in the weaving section of these mills it is perfectly obvious that the hand-loom manufacturer must use imported yarn. An increase in the import duty on yarn is, therefore, to the detriment of the hand-loom weaver. In so far as the exact incidence of this tax is concerned we cannot help maintaining that the burden of the additional duty falls firstly on the production of goods manufactured by the hand-loom weaver, and secondly on the consumer who purchases these goods in preference to mill made goods. The general concensus of opinion in this province is that under the present conditions of production an increase in the duty on imported yarn is likely to affect adversely the prosperity of the hand-loom industry.

Witness No. 7

THE GOVERNMENT OF BURMA

Written Statement dated 16th September 1926

I am directed to forward, for the information of the Board, notes that have been prepared by the Superintendent of Cottage Industries on the possible effect on the handloom industry of an increase in the import duty on yarn, and by the Director of Agriculture on the possible effect of an export duty on cotton.

2. Your letter was not received in this Department until the 18th August 1926 and the time given for the consideration by the Local Government of the questions raised was inadequate. I am, however, to communicate the following observations by the Government of Burma (Ministry of Forests) which have the concurrence of the Governor in Council :—

This Government is strongly opposed to the suggestion to impose an export duty on cotton on the grounds (*i*) that it will fall on the producer in Burma, (*ii*) that it is an indirect tax equivalent to a corresponding direct levy of land revenue, and (*iii*) that, if levied, it operates as a restriction of and an encroachment on the Local Government's powers of provincial taxation, and is therefore an unsuitable form of taxation so long as the proceeds of export duties are credited to Central Revenues.

Burma exports cotton and the Government of Burma believes that any export duty on cotton would be at once handed on to the cultivator of cotton in the form of a reduction in the price paid to him, just as the export duty on rice is now being paid by the cultivator in Burma and not by the importer of the rice.

3. As regards the proposed import duty on yarn and piece-goods, the Local Government has not sufficient information to say whether foreign exporters of yarn and piece-goods to India are making sufficient profit to enable them to reduce their prices by the amount of the duty, and thereby put their goods on the wholesale market at the same price as before. But it appears probable to the Local Government that the effect of the duty will be to raise the price of imported yarn and piece-goods by the amount of the duty, and that the manufacturers of Indian yarn and piece-goods will be able to raise their prices to something approaching that of the imported article, and that the greater portion at least of the duty will in effect be passed on to the purchaser.

4. The cotton industry in Bombay is a long established industry ; it has had periods of prosperity and should have been able to establish itself on a firm basis without assistance in the form of protective duties. The Local Government does not consider that there is justification for affording it assistance through such duties at the expense of the producer of raw cotton and the purchaser of manufactured cotton.

A NOTE BY THE DIRECTOR OF INDUSTRIES, BURMA

I am not in favour of an export duty on Indian cotton. Such a duty could only be justified on cottons of peculiar intrinsic value which would place them outside the range of competition. The bulk of Indian cottons are of low grade and find only a limited market. They have, therefore, to compete with the better class staples which are being produced in increasing quantities within the British Empire. The export duty would not be paid by the consumer but by the producer of the raw product, *viz.*, the grower, who at present gets only a meagre remuneration for his labour and in addition suffers the risk of loss in a bad season. I am, therefore, strongly opposed to the imposition of a duty which would inevitably fall on the grower.

My replies to questions 116 and 117 are as follows :—

116. I am not in favour of an export duty on cotton.

(*a*) The growers would be affected to the extent of the duty or possibly more, for the ginner and broker might take advantage of the duty to cut prices to an unjustifiable extent.

(*b*) It would depend entirely on the amount of the duty and current prices. With low prices the tendency is always towards a smaller acreage.

(*c*) I do not think it would affect the prices of cotton in India. So far as I am aware the Bombay market reflects the Liverpool market. It is likely that this would continue in spite of the fact that kapas would be bought at a cheaper rate from the grower.

(*d*) The prices of Indian cottons in overseas markets would not, I think, be affected ; they would still have to compete with cottons from other sources.

117. For reasons given in 116 (*d*), I consider the imposition of an export duty would not affect the situation.

A NOTE BY THE SUPERINTENDENT OF COTTAGE INDUSTRIES, BURMA

Handloom weavers in Burma work mainly for home consumption, and only to a small extent for trade. They do not compete with power looms in Burma, where practically no power looms exist, but might be said to compete to some extent with power looms outside Burma. Not that they do actually compete to any appreciable extent, but that they might weave more cloth for sale if imported cloth were not plentiful in the markets at prices which handloom weavers cannot get down to.

2. As the Myingyan Spinning and Weaving Company cannot produce any twisted yarn, and handloom weavers need this for warp, nearly all the warp yarn they buy comes from India or Japan—chiefly from the latter as it has usually been cheaper of late. Some of the cotton used for weft they buy from the Myingyan Spinning and Weaving Company but when they can afford it they prefer twisted yarn for the weft also, and buy that from the same source as they buy their warp cotton.

3. I have elsewhere suggested one or two ways in which this state of affairs could be changed to the advantage both of the Myingyan Spinning and Weaving Company and of the weavers. But taking conditions as they are, the effect of an increase in the import duty on yarn, from 5 to 18 per cent. as suggested, would not affect handloom weavers in Burma very seriously as far as I can see. They might weave rather less homespun, as they could not afford to buy so much yarn, so that the small quantity available for sale would become even less, and the price would increase. But this would not appreciably injure the commercial side of handloom weaving in Burma, because there is next to no commercial side to injure. On the other hand the price of cloth imported from India or elsewhere would probably rise as a result of the increased import duty on yarn, and might rise high enough to encourage the public to buy more handwoven cloth. If so, the enhanced import duty on yarn might actually benefit handloom weavers. As a result the general public might get less cloth, but the competition between Indian mills would probably prevent the prices of yarn and cloth from rising too high, and I doubt if the standard of clothing would be materially depressed. Probably silk, especially artificial silk, would be more in demand, and handloom weavers might weave more silk to make up for the reduction in their cotton weaving. I do not think that handloom weavers in Burma, or the public in Burma, need fear the suggested enhancement of import duty on cotton yarn.

4. At the same time the Myingyan Spinning and Weaving Company would stand to gain. Many of the arguments put forward by the Bombay Millowners' Association have been urged by the Directors of the Myingyan Company. If given an opportunity of tendering answers to the questionnaire and of giving evidence before this second Tariff Board, as I presume they have been, they will no doubt strongly support the pleas of the Association. Any measure of protection afforded to the Bombay Millowners should naturally apply to the Burma company also.

5. As regards foreign markets, the only one touched by the Myingyan Company is China (to which several references are made in the pamphlet). A rise in the import duty in yarn might lead to some diversion of Japanese yarn to China, and to some increase in the use of Chinese yarn in China, but China is so full of Japanese and Chinese yarn already, and the export of Myingyan yarn to China is so small, that the loss to Myingyan is not likely to be appreciable. And if the decrease, if any, of yarn export to China is counterbalanced by an increase in the purchase of Myingyan yarn in Burma, no harm will have been done.

6. I regret that I can suggest no statistical replies to the questions in section VII of the questionnaire. It will be seen, however, from the above that I am inclined to agree with the arguments of the Bombay Association and to consider that the adoption of their proposals will be favourable to Burma. As regards specific questions :—

104. Discrimination should not be made against Japan alone, but all imports should be taxed, except that preference may be given to imports from other parts of the British Empire.

105. The duty should be a temporary measure, to be removed if and when it had fulfilled its purpose, though it might be a long time before it could be removed.

109. Yes. The increase of cost to consumers can be kept within bounds.

116. I should oppose an export duty on cotton.

119. Yes; but I hope that cotton growers will not be injured.

Without an intimate knowledge of Indian conditions I regret I do not feel competent to offer opinions on the other points raised in the questionnaire.

Witness No. 8

THE GOVERNMENT OF BIHAR AND ORISSA

Written Statement dated the 20th October 1926

I am directed by the Governor in Council to invite a reference to your letter No. 361, dated the 11th August 1926, and to enclose, for the information of the Tariff Board, a copy of two notes prepared

(*a*) by the Textile Expert to the local Government, endorsed by their Director of Industries, on the possible effect on the hand-loom industry of an increase in the import duty on yarn, and

(*b*) by the local Director of Agriculture, on the possible effect of an export duty on cotton.

2. As stated by the Director of Agriculture, cotton is grown to an insignificant extent only in this province, which would scarcely be affected by an export duty on cotton. On the other hand, there is in this province a considerable population of hand-loom weavers, and His Excellency in Council agrees with the opinion expressed in the note prepared by the local Government's Textile Expert that an increase in the import duty on yarn would be harmful to their interests.

A NOTE BY THE TEXTILE EXPERT

While welcoming the enquiry of the Tariff Board into the causes of the present depression in the Bombay cotton mill industry and which is to suggest measures which might be taken to restore it to prosperity the hand-loom weavers have reasons to view the suggestions of the millowners with some concern lest the interests of the hand-loom weavers be overlooked. As a result of the enquiry of the Indian Fiscal Commission of 1922 their raw material, *viz.*, yarn, was taxed by the imposition of an import duty of 5 per cent., which enabled the cotton mills to put into their pockets an additional profit from the earnings of the hand-loom weavers. By the abolition of the excise duty in December last the only protection which the hand-loom weaver enjoyed so far and which counterbalanced the import duty imposed on his raw material was withdrawn. Now the present demand from the millowners is for further enhancement of the import duty not only on piece-goods but also on yarn. It is very unfortunate that there has been little organized effort to put forward the claims of the hand-loom weavers. Very few people are aware that this industry supporting over 5 million of people is responsible for an annual output of about 50 crores worth of cloth and realise that it plays a very important part in the economic well-being of the country. The Indian mills which have practically lost their export trade in yarn have now to depend on the hand-loom weavers for the disposal of about 230 million lbs. or one-third of their entire output in yarn. The cotton mills have no case to be protected at the expense of cottage artisans who with great difficulty can make both ends meet.

2. It is true that efforts are being made by the various provincial Governments to help the hand-loom weavers but their programme necessarily consists for the most part either of introducing improved appliances among the weavers or training young men in the trade. Although the potential possibilities of such improvements are many, trade in hand woven cloth in general does not seem to have materially improved. With a tax on his raw material, his trade disorganised and his complete economic dependence on the "Mahajan" the hand-loom weaver is slow to realise the material advantages resulting from the use of improved tools. As such if this useful cottage industry is to survive in the face of competition not only from foreign mills but also from its own local mills it ought to receive specially favourable treatment.

3. Let us now examine if there is a sufficiently strong case for protection being given to the Indian mills against unfair competition from the Japanese manufacturers particularly in yarn. Firstly, can the Indian mills supply the entire requirements of the hand-loom weavers? The answer will be in the negative. In pre-war days the average (for 5 years) production of our cotton mills was 647 million lbs. of yarn of which 232 million lbs. were consumed in the mills and about 221 million lbs. were available to hand-loom weavers. Since 1914 there has been some development in the Indian mill industry which increased its outturn of yarn to nearly 700 million lbs.; and the export of yarn decreased considerably from 204 million lbs. in 1912-13 to 32 million lbs. in 1925-26. Thus when the mills increased their consumption of yarn by about 178 million lbs. or 75 per cent. the amount of yarn available to the hand-loom weavers increased by about 20 million lbs. or 10 per cent. In the year 1925-26 about 686·4 million lbs. of yarn were spun; of which about 410 million lbs. were used by the mills and about 32 million lbs. were exported.

Thus the net quantity available for hand-loom weavers was only 242 million lbs. or only 21 million lbs. more than they used to consume in the pre-war days. The reason for the increased consumption of yarn in the mills may be attributed to the fact that they found it more profitable to weave than to sell their yarn to hand-loom weavers who only competed with them in the cloth market. Naturally the hand-loom weavers had to look to other sources of supply and as such they began to consume larger quantities of imported yarn than they used to do. Our average imports for the last five years being 53 million lbs. against 42 million lbs. in pre-war days.

Secondly, are our imports of yarn of coarse counts so large as to affect the interest of our millowners ? Our imports of lower counts of yarn (1s to 30s) from Japan especially in the year 1922-23 was abnormally high and amounted to 14 million lbs. and probably that might be the reason that influenced the imposition of an import duty on yarn. But such importation of lower counts from Japan is unusual as can be seen from the following figures :—

	1s to 30s	30s to 40s	All counts
1920-21 million lbs.	6·5	9·3	20·1
1921-22 do.	6·2	6·9	14·9
1922-23 do.	14·1	10·2	26·5
1923-24 do.	6·8	9·8	20·4
1924-25 do.	6·4	19·2	32·3

Both before and after the year 1922-23 our imports of yarn of coarser counts up to 30s (from Japan) was only 6 million lbs. which is practically nothing when compared with our local production of 700 million lbs. Our entire imports of yarn both from Japan and Lancashire amounting to 53 million lbs. represent only 7 to 8 per cent. of the local production and are mostly of higher counts between 30s to 40s and of a quality which very few Indian mills can spin.

4. In my opinion these small imports of yarn are necessary in the interest of both the cotton mills and hand-loom weavers. The yarn at present spun by the Indian mills for hand-loom weavers is of inferior quality to that used in their own looms. It is dirty, uneven and weak and it is well known that it is especially spun out of an inferior mixing of cotton. One of the reasons if not the only reason for the loss of the Chinese market where India had almost a monopoly for yarn in lower counts may be attributed to the inferior quality of our yarn. Complaints of short reeling were common. Even now very few mills give a correct 10 lbs. weight bundle. Naturally when foreign yarn of superior quality is made available the hand-weavers prefer to buy it. The English mills used to export to India yarn above 30s counts but when Japan put on the Indian market coarser yarn of 20s counts it supplied a long felt need. In the absence of such healthy competition there will not be sufficient incentive to our mills either to improve the quality of their yarn or their industrial efficiency.

5. There does not therefore seem to be justification for an extra import duty not only on Japanese piece-goods but also on their yarn for the various reasons given by the Millowners' Association. It is true that the Indian mill industry is passing through a stage of depression but the case for attributing this state of affairs entirely to unfair competition from the Japanese mills is not established. The present depression in the textile trade has affected almost every country and not only India. Even Lancashire with all its advantages for textile manufacture and its premier position in the cotton trade is now forced to work only half time, *viz.*, every alternate week. The condition of our Indian mills which in the course of the last 12 years nearly doubled their output of cloth (from 1105 million yards—five years' average from 1909 to 1915—to over 1950 million yards production for 1925-26) cannot be said to be very bad. Further evidence in support of this statement can be found in the average dividends paid by these mills for the last 20 years.

6. The low prices at which the Japanese are able to compete are attributed mainly to the fact that women are employed to work at night and that the working hours are longer than in the Indian mills. There is considerable truth in this statement, but the saving thus effected in the cost of production cannot be counterbalanced by the increased cost on account of freight both on cotton and piece-goods. Their low cost of production is mainly due to highly skilled labour, modern methods of management and a high standard of industrial efficiency. Indian labour is inefficient and we are obliged to engage three persons in place of one employed in the Lancashire mills. The Indian manufacturer in general is known to manufacture innumerable grades both of yarn and cloth while his

system is antiquated and not to be compared with the methods of mass production adopted in practically all modern industrial countries. Their processes of manufacture including numerous labour saving devices are better organised than here and thoroughly scientific methods are employed.

7. Instead of effecting economies in production, cost and overhead charges and increasing our efficiency to face foreign competition if an import duty be imposed especially on yarn, it would only increase the price for the poor classes of people. Although the hand-loom weavers welcome an increased import duty on piece-goods they cannot but protest against the imposition of the import duty on their raw material for reasons already stated.

A NOTE BY THE DIRECTOR OF AGRICULTURE

Cotton is grown on a small scale in North Bihar and very scarcely in other parts of the province.

The area reported to be sown is about 76,000 acres being 0·4 per cent. of the area under cotton in India ; but it is almost always sown as a mixed crop and covers a very small proportion of the fields on which it is grown. In the year 1912-13 the net exports of raw cotton amounted to about 70,000 maunds but so large an export has not been recorded since ; and in 1920-21, the latest year for which statistics were collected the imports exceeded the exports.

So far as I am aware there is no cotton mill in the province, but the greater part of the crop is probably spun locally, by hand, and the export is almost entirely from Bihar.

As regards Question 116 of the Tariff Board's Questionnaire, it is doubtful whether cotton is now exported from the province in appreciable quantities and an export duty would probably have no appreciable effect.

(*a*) There are no cultivators who depend to any considerable extent on cotton growing and their income could hardly be appreciably affected by any duty.

(*b*) No export duty would be likely to reduce the price of raw cotton sufficiently to affect the area grown in the province.

The climate does not suit cotton ; and the export, if any, is probably only the marginal surplus of production necessary to secure the maximum advantage from the local demand at prices above those obtainable at distant markets.

(*c*) and (*d*) No effect of a duty on the cultivation of cotton in this province is likely to be sufficiently great to affect prices in India or outside.

Witness No. 9

THE GOVERNMENT OF THE CENTRAL PROVINCES

Written Statement dated the 3rd October 1926

I am directed to forward a copy of a note, drawn up by the Director of Industries on the cotton mills in the province, with special reference to the possible effect on the hand-loom industry of an increase in the import duty on yarn, and also a copy of another note prepared by the Director of Agriculture on the possible effect of an export duty on cotton.

2. I am to add that at this stage the local Government does not desire to express any opinion on the points at issue.

NOTE BY THE DIRECTOR OF INDUSTRIES ON THE COTTON MILLS IN THE CENTRAL PROVINCES AND BERAR

There are twelve mills in the Central Provinces and Berar, including the Bengal Nagpur Cotton Mills, Ltd., which is in the Feudatory State of Rajnandgaon. All of them are spinning and weaving mills and they are situated at the following places :—

Central Provinces

Names of mills	Place	District
1. The Central Indian Spinning, Weaving and Manufacturing Co., Ltd., (The Empress Mills)	Nagpur ..	Nagpur.
2. The Model Mills, Nagpur Ltd. ..	Nagpur ..	Nagpur.
3. Raja Gokuldass Mills, Ltd., Jubbulpore	Jubbulpore ..	Jubbulpore.
4. Rai Saheb Reckchand Mohota Spinning and Weaving Mill	Hinganghat ..	Wardha.
5. Rai Bahadur Bansilal Abirchand Spinning and Weaving Mill ..	Hinganghat ..	Wardha.
6. The Pulgaon Cotton Spinning, Weaving and Manufacturing Co., Ltd. ..	Pulgaon ..	Wardha.
7. The Burhanpur Tapti Mills, Ltd. ..	Burhanpur ..	Nimar.
Berar		
8. The Berar Manufacturing Co., Ltd...	Badnera ..	Amraoti.
9. Savatram Ramprasad Mills Co., Ltd.	Akola ..	Akola.
10. Sir Hukumchand and Dalmia Cotton and Oil Mills, Ltd.	Akola ..	Akola.
11. The Vidarbha Mills, Berar, Ltd. (A new mill opened on the 21st August 1926)	Ellichpur ..	Amraoti.
C. P. Feudatory States		
12. The Bengal Nagpur Cotton Mills, Ltd.	Rajnandgaon State.	

2. Of these mills only four are registered in this Province, namely, those at Pulgaon, Akola and Ellichpur. The remaining mills are registered outside the Province. Their

authorised and paid up capital (with the value of shares of mills registered in this Province) are as follows :—

—	Authorised capital	Paid up capital	Value of shares
The Pulgaon Cotton Spinning, Weaving and Manufacturing Co., Ltd.	10,00,000	9,99,250	500 and 250
Savatram Ramprasad Mills Co., Ltd. ..	7,55,000	7,55,000	500
Sir Hukumchand and Dalmia Cotton and Oil Mills, Ltd.	35,00,000	34,84,370	100
The Vidarbha Mills, Berar, Ltd. ..	40,00,000	9,21,048	100
The Central India Spinning, Weaving and Manufacturing Co., Ltd. (The Empress Mills)	96,87,500	96,87,500	....
The Model Mills, Ltd.	1,00,00,000	94,69,280	....
Raja Gokuldass Mills, Ltd.	6,00,000	6,00,000	....
R. S. Reckchand Mohota Spinning and Weaving Mills	....	....	....
R. B. Bansilal Abirchand Spinning and Weaving Mills	....	24,56,175	....
The Burhanpur Tapti Mills, Ltd. ..	12,00,000	12,00,000	....
The Berar Manufacturing Co., Ltd. ..	5,50,000	5,50,000	....
The Bengal Nagpur Cotton Mills, Ltd. ..	12,00,000	12,00,000	....

3. The number of looms and spindles and the number of persons employed in these mills are given below :—

Names of Mills	No. of looms	No. of spindles	Number of persons employed			
			Men	Women	Children	Total
The Pulgaon Cotton Spinning Weaving and Manufacturing Co., Ltd.	225	18,336	677	154	104	935
Savatram Ramprasad Mills, Co., Ltd.	201	10,196	429	124	29	582
Sir Hukumchand and Dalmia Cotton and Oil Mills, Ltd.	335	20,290	886	210	65	1,161
The Vidarbha Mills, Berar, Ltd.	Information not available.					
The Central India Spinning, Weaving and Manufacturing Co., Ltd. (The Empress Mills)	2,252	1,00,832	5,371	1,369	601	7,341
The Model Mills, Nagpur, Ltd.	1,020	52,408	2,014	497	423	2,934
Raja Gokuldass Mills, Ltd...	400	18,340	435	101	98	634
R. S. Reckchand Mohota Spinning and Weaving Mill.	413	20,976	1,150	239	104	1,493
R. B. Bansilal Abirchand Spinning and Weaving Mill	394	30,420	1,137	313	79	1,529
The Burhanpur Tapti Mills, Ltd.	494	24,240	994	267	168	1,429
The Berar Manufacturing Co., Ltd.	368	19,908	730	164	158	1,052
The Bengal Nagpur Cotton Mills, Ltd.	498	29,524	920	360	652	1,932

4. The information required for answering the question of the Tariff Board was called for from all the mills but some have not supplied it at all while others have supplied it only partially. Moreover as their official years vary and as no two or more mills have furnished figures for the same period of years, a general comparison for the same period or for a series of years cannot be drawn under any head. The Empress Mills, Limited, the largest and the most important mills in the Province, have not got the information ready. The two mills at Hinganghat have not supplied any information on the ground that they are private companies. It would appear that the majority of the mills in the Province are members of the Millowners' Association, Bombay, and look to that body to express their grievances. Indeed one mill has stated that our opinion has been voiced by them (The Bombay Millowners' Association) in their report. We have no separate opinion.

5. The two main reasons which are said to have contributed to the depression in the cotton textile industry are the Japanese exchange and the double shift system involving the employment of women at night in the mills in Japan. The former is said to enable Japanese millowners to undersell the Indian cloth and the latter to enable them to keep down the cost of production. Complaints are also made about the "sweated labour" and longer hours of work in the tribute to the depression. One of them is the fluctuation in cotton prices. The mills in this respect are at a disadvantage in that all other costs of manufacture do not fall with the fall in prices of cotton. The export of Indian yarn and piecegoods to foreign countries has also fallen after the war. There is also some internal competition between Indian mills in the disposal of goods in the country itself. In this respect, the mills in Indian States, to which the new Factory Act in force in British India laying down 10 working hours a day does not apply, can exact longer hours of work from their operatives, thereby keeping down the cost of manufacture. The amended Indian Factories Act has increased the cost of production in mills in British India by decreasing the working hours from 12 to 10. Moreover there is competition from Japan and other foreign countries in this and other industries as well. The multiplicity of mills in the various parts of British India and in Indian States in recent years is probably another cause, which has restricted the consumption of goods of mills which previously supplied these markets. There are other economic causes, such as the purchasing power of the masses and the continued dearness in the cost of living, which have adversely affected the textile industry. In this Province the handloom industry is also languishing and the contributory factors are the same as those affecting the machine-made cloth. These causes act and react, affecting not only the key industry but also the subsidiary or minor industries connected with it.

The strikes of operatives, which have become increasingly common in recent years, also involve the mills in considerable loss by the stoppage of work during busy seasons.

6. The present depression in the cotton textile industry has been felt generally during the last three years, in an acute form in some mills and to a lesser extent in others.

The profit and loss account of three out of the four mills registered in the Province for the last five years is as follows :—

Names of mills	For the year ending	Profit	Loss
The Pulgaon Cotton Spinning Weaving and Manufacturing Co., Limited.	31st Dec. 1921 ..	8,50,809	..
	Do. 1922 ..	3,59,931	..
	Do. 1923 ..	..	9,913
	Do. 1924 ..	55,930	..
	Do. 1925 ..	..	3,40,503
Savatram Ramprasad Mills Co., Ltd., Akola.	31st July 1921 ..	4,23,391	..
	Do. 1922 ..	4,97,184	..
	Do. 1923 ..	1,34,334	..
	Do. 1924 ..	83,627	..
	Do. 1925 ..	..	21,136
Sir Hukumchand and Dalmia Cotton and Oil Mills, Ltd., Akola.	31st Mar. 1921 ..	4,10,314	..
	Do. 1922 ..	6,21,073	..
	Do. 1923 ..	1,11,296	..
	Do. 1924 ..	..	65,392
	Do. 1925 ..	..	1,42,387

Thus, the Sir Hukumchand and Dalmia Cotton and Oil Mills, Ltd., Akola, which was opened for business in March 1920 made a profit of Rs. 1,11,296 in the third year of its existence, namely, the year ending the 31st March 1923, but the mill was unable to declare a dividend as one lakh of this amount was set aside for depreciation. For the next two years the mill incurred a loss of Rs. 65,392 and Rs. 1,42,387 and the Directors have closed down the mill from the 15th June 1926 which has now gone into voluntary liquidation. If the state of affairs for the years ending the 31st March 1924 and 1925 is compared with the first two years of the working of the mill when a profit of Rs.4,10,314 and Rs.6,21,073 was made and a dividend of Rs. 10 and 12 respectively was declared on shares of Rs. 100 each, it would appear that for three years this mill has been passing through a period of acute depression in trade. On the other hand, the Berar Manufacturing Co., Ltd., Badnera, in the Amraoti District (Berar), which was opened in 1895 and which declared no dividend up to 1919 made good profits from 1920 to 1924, during which period a dividend of Rs. 30, 40, 75, 55 and 40 respectively was declared. No dividend was given in 1925 evidently because of the depression in trade. In the case of this particular mill it would appear that it has been able to withstand the effects of the depression, while the Akola mill referred to above felt the depression acutely and had to go into voluntary liquidation. It is difficult to ascertain the reasons for this owing to lack of detailed information supplied by the mills. It is also not possible to compare the working costs for each of the departments of the two mills, as the Akola mill has not supplied the information required for a comparison of such costs. Then, again, the Model Mills, Ltd., Nagpur, which was opened in October 1923 and which has not yet declared a dividend made a profit of Rs. 6,94,449 for the year ending the 31st March 1925, but the Directors were unable to declare a dividend as practically the whole of the profit was apportioned to depreciation fund, writing off preliminary expenses and revenue expenditure incurred during the period of construction and payment of income-tax and super-tax, leaving a small balance of Rs. 4,038 to be carried forward to next year's account. It may be remarked that both this mill and the one at Badnera attained satisfactory results in spite of trade depression for the year 1924, the last report of the Model Mills available being for the year ending the 31st March 1925.

7. From the information supplied by these mills, the average cost of production of 1 lb. of grey yarn and grey cloth at each of these mills is as follows:—

	Average cost of production	Average selling price
	1 lb. *of*	*grey yarn*
	Rs. a. p.	Rs. a. p.
Model Mills, Ltd.—		
For year ending 31st March 1925	1 0 11·36	1 3 0
Do. do. do. 1926	0 13 4·38	0 13 7·20
Berar Manufacturing Co., Ltd.—		
For year ending 31st March 1920	0 12 9·5	1 2 6
Do. do. do. 1924	1 1 2·3	1 0 9·27
Do. do. do. 1925	0 14 10·4	0 14 10·10
	1 lb. *of*	*grey cloth*
Model Mills, Ltd.—		
For year ending 31st March 1925	1 5 9·20	1 8 6
Do. do. do. 1926	1 2 4·29	1 3 8
Berar Manufacturing Co., Ltd.—		
For year ending 31st March 1920	1 1 10·01	1 12 7·70
Do. do. do. 1924	1 4 8·09	1 6 6·57
Do. do. do. 1925	1 1 4·50	1 3 7·18

The number of superior staff employed, that is, management, technical and clerical staff and staff in the sales department, and the number of operatives in the two mills for the years 1924 and 1925 are as follows.—

Superior staff

	1924	1925
Model Mills, Ltd.	126	142
Berar Manufacturing Co., Ltd.	13	13

	Operatives 1924	1925
Model Mills, Ltd.	2,548	2,934
Berar Manufacturing Co., Ltd.	1,198	1,052

Both the mills have spinning and weaving departments but the Badnera mill has no bleaching department and very little dyeing is done for its own use.

From the above figures it will be seen that the Model mills made a reasonable profit on grey yarn in the year ending 1925 and very little profit in the year ending 1926. The mills sold grey cloth in both the years at a profit, which was larger in the former year. The Berar Manufacturing Mill made a good profit in the year ending 1920 on both grey yarn and cloth, sold grey yarn at a loss in 1924 and realised very little profit on the same goods in 1925. It realised almost the same margin of profit on grey cloth in the year 1924 and 1925. Both the mills earned a profit on cloth which dwindled down in each succeeding year, while the profit realised on yarn was on the whole little.

8. If the capital of the mills is examined in relation to the number of spindles and looms, certain inconsistencies in the management of the mills are noticeable. The following representative mills may be taken for purposes of comparison :—

Names of mills	Capital	Spindles	Looms
The Empress Mills, Ltd.	96,87,500	1,00,832	2,252
The Model Mills, Ltd.	1,00,00,000	52,408	1,020
Sir Hukumchand and Dalmia Cotton and Oil Mills, Ltd.	35,00,000	20,290	335
The Berar Manufacturing Co., Ltd. ..	5,50,000	19,908	368
The Bengal-Nagpur Cotton Mills, Ltd. ..	12,00,000	29,524	498

It will be seen from the above that the Empress Mills with a capital of approximately the same as the Model Mills has double the spinning and weaving capacity for outturn on which to realise profits. Then, again, the Berar Manufacturing Co., with 368 looms realises its profits on a capital of only Rs. 5½ lakhs, while Sir Hukumchand Mill with 335 looms (or 33 looms fewer) has to realise its profits on a capital of Rs. 35 lakhs, that is, on nearly seven times more capital with 33 looms fewer. The larger capital expenditure of the Model Mills is attributed to its construction in the boom period, while the case of Sir Hukumchand and Dalmia Cotton Mills is a case of over-capitalization. Over-capitalization in a period of general dislocation of trade is bound to have an adverse effect on the industry.

9. With regard to labour questions, speaking generally there is no doubt that the increase in wages, without a corresponding increase in production, has affected the cost of the manufactured article. Another factor is the reduction in the number of working hours. It is contended, however, that with this reduction the quality of the work should improve so that the reduction in quantity is to a certain extent compensated for by increased production. The running charges however remain much the same and the overhead charges are presumably identical whether the mill works 10 or 12 hours per diem. It is generally accepted that, with the increase in wages, a higher standard of living obtains amongst the present day mill-hands. The Department has got no figures regarding the question of "absenteeism". This will always be a trouble to millowners in India owing to the various religious and other holidays and no system of good attendance bonuses would have any effect on operatives in the marriage season.

10. It may be said that the mills in this province are favourably situated as regards the supply of cotton, cheaper labour and their proximity to the up-country markets of India. These advantages however are counterbalanced by disadvantages and it is not easy to say except after minute examination, which outweigh the other. As regards the supply of cotton, mills outside the Province have their own buying agents in the cotton growing districts who buy cotton, gin and press it and send it to Bombay. It cannot therefore be said that the mills in this Province can buy cotton at prices cheaper than those paid by mills outside it. In up-country mills although labour is cheaper it is not as efficient as say, in Bombay. The lack of natural humidity in up-country centres is a disadvantage especially in weaving. The cost of construction and machinery are other items on which up-country mills have to incur a larger expenditure than the mills in Bombay.

11. The Central Provinces and Berar mills only produce about 4 per cent. of the whole Indian output. It is not therefore possible to offer a competent opinion as to whether the industry as a whole requires any form of protection.

12. An increase in the import duty on foreign yarn is not likely to help the mills in this Province as they do not ordinarily spin fine counts over 30's and all weave yarn spun by themselves as shown below. The yarn of fine counts over 30's is approximately $2\frac{3}{10}$ per cent. of the total yarn spun. The table below gives the yarn spun by counts in the mills of the Province for 12 months from April 1925 to March 1926 :—

Counts of yarn	lbs.	
1's to 10's	8,820,730	
11's to 20's	23,480,437	
21's to 30's	6,945,172	
31's to 40's	788,755	$2\frac{3}{10}$ per cent.
Above 40's	151,239	
Waste yarn	241,871	
	40,428,204	

Total cloth manufactured, 19,464,296 (including size). The balance is said to be consumed by the hand-loom industry. An enhanced duty would operate very adversely against the hand-loom industry and would impose a heavy burden on it as all fine workers in that industry mostly use foreign yarn for warps. The industry would have to pay a higher price for the yarn which the consumer would be very unwilling to pay and the weavers would obtain little or no profit on their cloth.

13. *Hand-loom industry.*—The textile expert estimates that there are approximately 70,000 weavers and 65,000 cottage looms in the Province. Of these 50,000 looms are considered to be actually engaged in weaving.

14. Each weaver is estimated to consume 2 lbs. of yarn per day and taking 15 working days in a month the yearly consumption would be approximately 18,000,000 lbs. of yarn, of which the Textile Expert considers that about one-third is imported foreign yarn. With the object of preserving the hand-loom industry, the Department of Industries, with the help of local mistries, has supplied since 1915 over 17,000 fly-shuttle slays and 130 warping machines to about 200 towns and villages throughout the Province. The Textile Expert was recruited from England to improve the industry and to introduce modern appliances among the hand-loom weavers. It is believed that about one-third of the weavers are using improved appliances now. The weavers using these appliances reside in large and accessible centres, while the rest are inhabitants of scattered villages far away from road and railway connections.

15. About 10,000 weavers in Umrer in the Nagpur district, Pauni in the Bhandara district and Nagbhir in the Chanda district are engaged in weaving solid border cloths, which the mills cannot produce. Demand for this type of costly cloth commences a little before the marriage season and festivals in each year, and declines almost immediately afterwards with the closing of the season. There is therefore at certain periods of each year no demand whatever for their cloth but in spite of this drawback they decline to change the type of cloth they commonly make. In the case of weavers who weave common cloth for every day use, the output of the improved fly-shuttle slays has become far in excess of what can be disposed of in the local markets during the present depression of trade. The weaver sells at a considerable reduction in labour cost, in order to obtain food for his family, and he cannot expect demand from other districts as weaving is carried on in all important districts and centres.

16. Since December 1925 teachers have been sent to more out-lying villages for demonstration purposes, and it is found that though the weavers appreciate the advantages of the fly-shuttle slays, they would rather at present follow their own slow method of weaving then raise the output which is likely to be greater than the demand, thereby adding to their existing unsold stock of cloth in hand. Their sole anxiety is the disposal of their stock which if not disposed of at once at a reasonable profit is eventually sold at a loss. The attitude of the hand-loom weavers can be easily understood chiefly because during the present depression, nearly all the mills have greatly reduced their prices and have thereby intensified the competition of mill-made cloth with hand-loom cloth.

17. If therefore the hand-loom industry is to survive, even with the aid of improved appliances, no import duty should in any case be imposed on yarn, as even now a large number of weavers are seeking and taking up other means of making a living. As it is, the existing import duty of 5 per cent. on foreign yarn has tended to cause a decline in the industry, and if it is to be increased, the effect on the industry would be crushing,

depriving the weavers of their means of livelihood and letting loose a whole community in other walks of life. The prevailing depression constitutes a serious menace to the weaving community and if it continues for a much longer period and if the industry is not protected against the well-organised and aggressive competition of the mill industry, it is doubtful whether it will survive. The hand-loom weavers cater for particular sections of the people and specialise in certain types of cloth, saries, dhoties, etc., some of which the mills sell at cheaper rates, which the consumers eagerly buy in preference to hand-made cloth owing to the smaller purchasing power of the people arising from the increased cost of living. Similarly in the case of costly cloth made by weavers, the demand is restricted and arises at marriage seasons and festivals. If in spite of these drawbacks additional burdens are placed on this declining industry, the results will be deplorable, and the efforts of Government to improve the industry at considerable cost would receive a severe setback.

18. If it is considered necessary to grant protection to the cotton mill industry, I think, it should be given in the form of an increased duty on imported cloth of finer counts, say over 30's. This will not adversely affect the hand-loom industry, while it would indirectly help the mill industry by tending to increase the consumption of Indian mill-made cloth. Besides its burden will fall on the better classes of the people and not on the masses.

19. The abolition of the Cotton Excise Duty has given some relief to the millowners. It is partly responsible for a reduction in the prices of cloth which are said to have fallen 25 per cent. It has thus conferred some benefit on the consumers also.

A NOTE BY THE DIRECTOR OF AGRICULTURE

I am not in favour of the imposition of an export duty on cotton.

Indian cotton and in particular the cotton in this Province is as a whole already at a disadvantage in the world's markets on account of the lower quality.

The chief buyer from overseas is at present Japan. All the evidence goes to show that this country is doing her utmost to extend the growth of cotton for the needs of her industries nearer home. One of the saving graces of Indian cotton is its cheapness. If an export duty is imposed it must result in a rise in price and hence the removal of one of the chief market advantages the cotton now possesses. It is unlikely that the total increased cost would be borne by the overseas buyer, some would undoubtedly fall on the grower and I regard the present margin of profit as already too fine to allow of this (*vide* last year's prices).

The raising of the price of Indian cotton in overseas markets would, I feel certain, at once check the demand for the coarser cottons though it might not immediately affect the competition for the finer grades. It will be a long time however before the mass of Indian cotton reaches such a stage of improvement that its lint spins to 20 counts. In many areas it probably never will. In the meantime any export duty will tell against the mass of the growers, as any slackening in demand must affect the price they get.

This export duty by lessening an external demand, on the influence of which the majority of the growers depend for a fair price, would tend towards placing the grower under the control of a more limited local market. I can see some slight advantage for the moment to the shareholders of Indian mills, but I can see none from the point of view of the grower. The net result would be a lowering of the acreage under cotton and a check on the expansion of cottons of better quality, the primary need of the Indian mills. Thus in the long run the mills would suffer, as the shorter prices which they would be tempted to offer for their cotton in the early stages would react against the extension of the better types, a factor on which the successful position in the future largely rests.

In view of my emphatic objection to any export duty as checking the freedom of the grower and as tending to a still further reduction of his margin of profit, I have no remarks to make on Question 117.

Witness No. 10

THE GOVERNMENT OF ASSAM

Written Statement dated 11th September 1926

This Government are entirely out of touch with conditions in the cotton-mill industry and they are not in a position to form an opinion as to the causes of the depression therein or to suggest remedial measures. On general grounds, however, they would protest against any measures which might increase the present price of cotton goods to the consumer or of yarn to the handloom weaver. They strongly oppose also the imposition of an export duty on Assam cotton, which, as explained in the annexed note of the Director of Agriculture and Industries, Assam, is not suitable for use in the Indian cotton mills, but has a special market for export for admixture with wool and for the preparation of surgical cotton wool and lint.

NOTE OF THE DIRECTOR OF AGRICULTURE AND INDUSTRIES, ASSAM

My own opinion is that an increase of the import duty will not only raise the value of the imported British and Japanese yarn but also of the Indian yarn and the handloom weavers will be hit. The Japanese twists such as 2-30s and 2-42s are largely used nowadays on fly shuttle looms introduced by us for weaving bedsheets, towels, shirtings, etc.

In Assam weaving used to be confined previously to silk goods mainly but since the advent of the fly shuttle looms mass production has been rendered possible on account of quicker output and so our handloom weavers are now turning out fabrics that are produced in the mills, but this competition is, till now, almost negligible.

I am strongly against imposition of any export duty on the Assam grown cotton which is not used to any extent by the Indian mills for textile purposes but is largely exported to Europe for mixture with wool. The staples being very short the cotton is rarely used for manufacture of yarn but as it has a rich lint it can be conveniently used for adulterating wool and for preparation of surgical cotton wool and lint. The export duty will, I am afraid, reduce the consumption of our cotton in overseas markets and the result would be detrimental to the interest of our cotton growers.

NOTE OF THE WEAVING SUPERINTENDENT, ASSAM

I do not think the hand loom industry competes with the mill industry to any extent. On the other hand, it is the mill industry that tries to throttle the hand-loom industry by fair or unfair means.

The mill-owners have never shown, so far as my experience goes, any sympathy for the struggling hand-loom industry. The hand-loom industry is ancient, whereas the mill industry is of modern growth.

People to some extent prefer fabrics made on the hand-looms as they are woven with care and are more durable. There is competition in cotton dhoties and saries of medium counts (40s to 60s) but the mill industry has the upper hand, as its rates are more favourable.

The raising of the import duty on foreign yarn may to some extent hit the hand-loom weavers. But it may be permitted provided the mill-owners promise that they would not increase the prices of yarns. However, I believe the prices would automatically adjust themselves in course of time.

There is an increasing demand for the good fabrics made out of Indian yarns on account of the Swadeshi movement and as such some facilities by way of tariff, subsidies, reduced railway freight, etc., should be offered to the Indian mills.

Of the Japanese yarns, 2-42s bleached are consumed largely in Assam. This yarn is particularly preferred on account of its lower price. Indian mills do not turn out 2-42s grey or bleached. Other counts of Japanese yarn from 20s to 40s are consumed to some extent in the Darrang district, mainly on account of cheapness in price. The price of 2-42s bleached English is very high but it is decidedly superior to Japanese yarn ; people prefer the latter.

Short reeling is done mainly by the Marwari yarn dealers outside of the mills. A few mills of no standing might resort to short reeling on the specific orders from yarn merchants.

We notice false counts in yarns manufactured by Japan, England and other foreign countries as well.

Japanese goods are preferred mainly for better finish and lower price. Japanese mills have improved their products considerably in every direction, whereas Indian mills have not made any appreciable advance. Our Indian mill owners with few honourable exceptions do not take as much personal interest in improving the quality of fabrics as they take in increased production and profits.

Witness No. 11

THE CHIEF COMMISSIONER, AJMER-MERWARA

Written Statement dated 6th October 1926

I am directed to forward a copy of memorandum No. 11364, dated the 21st September 1926, from the Commissioner, Ajmer-Merwara, and its enclosure, and to say that the Honourable the Chief Commissioner has no additional observations to make.

MEMORANDUM FROM THE COMMISSIONER, AJMER-MERWARA, TO THE SECRETARY TO THE HONOURABLE THE CHIEF COMMISSIONER, AJMER-MERWARA.

I enclose a copy of a note by Seth Vithal Das Rathi, Managing Director of the Krishna and Mahalakshmi Mills at Beawar, which he has prepared in consultation with the Secretary of the Edwards Mills of Beawar. The figures given in paragraph 13 (3) (*i*) to (*iv*) are apparently culled from page 149 of the Indian Tariff Board Report.

2. The remedial measures suggested (Section 7 of questionnaire) are to be found in paragraph 14 (1) to (8). Certain of these suggestions relate to local municipal taxation. This taxation is not of such degree as to be in danger of being considered in restraint of trade. Other suggestions also relate to income-tax and super-tax. No case appears to have been made out for preferential treatment of dealers in textiles in this respect. Questions Nos. 38,113, and 117 are briefly dealt with in the latter part of the note.

3. The Managing Director of the New Weaving and Trading Co., Ltd., Ajmer, was also invited to give his views. He has, however, confined his remarks to a full endorsement of the views of the Bombay Millowners' Association as expressed in their letter No. 388/32-C of 1926 dated the 9th March 1926, and to a protest against the inclusion of yarn and stores required by his mill amongst the articles on which octroi duty is levied by the Ajmer Municipality. I have therefore not enclosed his letter.

COPY OF A NOTE BY SETH VITHAL DAS RATHI, MANAGING DIRECTOR OF THE KRISHNA AND MAHALAKSHMI MILLS AT BEAWAR.

In connection with the Tariff Board Enquiry into the cotton textile industry the owners of the cotton mills at Beawar have given their views as under :—

That this question has been dealt with by the Bombay Millowners' Association very widely and to the point giving full particulars with facts and figures and they have left very little margin for others to add to the same except for some differences concerning the individual provinces and mills thereof. But we are of opinion that nearly all the millowners would support in general the representation with regard to the depressed state of the cotton industry in India specially during recent years and confirm the opinion of the Bombay Millowners' Association.

That the present depression in the cotton textile industry generally extends to every place in India but chiefly to Bombay and to some extent to Ahmedabad. It does not affect alike mills of every place, as it depends upon the local conditions of provinces, mills, management, cost of labour, receipt of commodities, etc., but the chief causes of the depression of the cotton industry in the country, taking the circumstances of this province also are as follows :—

(1) The cost of labour since the war has been increased to a large extent, say, more than double. The cost of wages, mill stores, etc., except cotton was Re. 0-1-3 per lb. for 20s and Re. 0-3-0 per lb. for long cloth before the war but is today about Re. 0-2-6 per lb. yarn 20s and Re. 0-5-0 per lb. long cloth. After the war too there could be no reduction at all in wages though prices of cloth and yarn have fallen immensely.

(2) Salaries of the staff have also been increased.

(3) Cost of sizing materials, mill stores and machinery parts, coal, etc., are much above the prewar level which has caused a considerable increase in manufacturing costs.

(4) There was no import duty on machinery and its parts before but now 2½ per cent. has been imposed; there was 5 per cent. duty only on sizing materials and mill stores before but now it has been increased to 15 per cent.

(5) At Beawar there was no municipal octroi duty on sizing stores and mill stores but now a duty of more than 3½ per cent. has been imposed besides the increase of octroi on other articles.

(6) In the same way railway freight has also been increased to a great extent on coal, machinery and stores imported by us and on yarn and cloth exported by us. This has also been a big additional item to cost. There were before special rates of concession for stores, machinery, yarn and cloth but now they have been abolished.

(7) Before the war the rate of kappas of this province was at about Rs. 8 per maund but at present it is sold at Rs. 11 to 12 per maund (Bengal).

(8) The insurance charges have also been increased.

(9) Cotton cess has been levied which is an additional item.

(10) Rate of income-tax has been increased and super-tax has been additionally imposed.

(11) Before women and children could be employed at night but it cannot be done now. If the night work is done by men, firstly, their wages are nearly double of those of the women, secondly they cannot work so efficiently as women do in cases of certain jobs such as reeling, winding and ginning.

(12) Besides this, the time of working of the mills has been reduced from 12 to 10 hours.

(13) The Japanese market has been the most important and chief cause of depression. Their yarns and cloths are available in our own markets much cheaper than our manufactures, which is due to several advantages—concessions, subsidies and bounties allowed to them by their Government. (*a*) The Japanese mills work for 20 hours a day while we are not allowed to work more than 60 hours a week. (*b*) The adverse influence of exchange between Japan and India and (*c*) reduced rates of shipping from Japan to India have helped the import of Japanese goods into India vastly. (*d*) It is clear that the Japanese Government help their industry freely to extend the sale of their manufactures widely throughout the world, for which aim, they render every monetary help and give protection, on account of which the mills of India have had to suffer a severe blow, though the British Government has shown sympathy to the Indian mills by the abolition of the Cotton Excise duty which has eased the situation to some extent but still it requires much more. (*e*) A comparison of figures given below will afford a vivid idea of the advance the Japanese mills have made during recent years :—

(*i*) The figure of export of yarn from India to China has come down from 28 crores of pounds to 2 crores only per year, that is to say, the export of yarn has declined 15 times, being replaced by Japanese yarn.

(*ii*) Besides the import of yarn from Japan to India has been increased from 2,000 pounds to 3¼ crores pounds a year which means the import in India has jumped up 16,000 times.

(*iii*) The export of cloth from India to China has been reduced from 1 crore and 33 lakhs of yards to 40 thousand yards only, that is, the figure has gone down 333 times, it has also been replaced by the export from Japan.

(*iv*) Further the import from Japan to India has been increased from 40 thousand Yen to 4 crores and 70 lakhs Yen, in other words, it has been increased 1,175 times.

14. We are, therefore, of strong opinion that the Government should be kind enough to take immediate measures not only to save the cotton industry of India from the aforesaid causes of its depression but render the most opportune help and co-operation for its advancement and protection for which the following are most essential :—

(1) All the Custom (import) duties should be abolished on sizing materials, mill stores, machinery and machinery parts.

(2) Import duty should be levied on yarns up to 40s and upon all woven and knitted goods made wholly or partially from such yarns irrespective of the countries of origin.

(3) The cotton cess should be abolished.

(4) All the municipal taxes concerning these industries should be removed.

(5) Depreciation on machinery and building should be allowed freely and permanently.

(6) Rates of income-tax should be reduced and super-tax abolished.

(7) Rates of exchange should be fixed to such an extent as may not be adverse to the interests of the cotton industry of India.

(8) Such other action may be taken as may be considered to be beneficial to the cotton textile industry of India.

If such measures are taken the profits of the Indian mills will increase which would automatically increase the revenue of the Government by income-tax.

Further, with reference to your special remarks regarding the questions Nos. 38, 113, 116 and 117 we beg to state that there is no competition between the hand loom industry and the mill industry of India, moreover there is great need for the hand loom industry to use the additional yarn produced by the Indian mills.

If an import duty is levied on foreign yarn there would be no effect on the hand loom industry as they are free to use their own country yarn which they can get cheaper.

There should be no export or import duty on cotton.

Witness No. 12

Mr. W. W. NIND, COLLECTOR OF CUSTOMS, BOMBAY, AND Mr. N. E. KHOTE, APPRAISER, BOMBAY CUSTOM HOUSE

Oral Evidence recorded at Bombay on the 7th September 1926

President.—I take it, Mr. Nind, that the only question on which you consider you are in a position to give us any useful evidence is our supplementary question 114-A. ?

A. Yes, that is the only one in which my evidence can be useful.

Q. I think you know the object of that question. The first point is whether you agree with the view I am at present inclined to put forward, that it is only by putting on a specific duty that the exact extent of the competition between Japanese, British and Indian goods can be ascertained; and that at present we have no means of finding out the exact quality of the piecegoods which come into India.

A. By that you mean that we want more details as to the make up of the goods ?

Q. The point we want to ascertain is exactly how much of the Japanese goods that come into India compete directly with the products of the Indian mills, how much of the British goods compete with Indian goods and also exactly what the range of competition between Japan and the United Kingdom is. Now do your Customs records throw any real light on that point ?

A. Not as regards piecegoods, I think; but they should as regards yarn.

Q. As regards yarn, the position is absolutely clear. There is no doubt about it there. But we want your views on the possibility of applying some such classification as is adopted in the case of yarn to that of piecegoods.

A. I take it what you mean by that is that we should have what I see has been called, a scientific tariff. Piecegoods will be divided up into certain classes and we should then be able to see by the imports of particular kind of piecegoods whether they compete with Indian products or not. At present all we do is to tabulate something after the style of mulls, jaconets, etc. But that does not show whether any particular quality of madapollam is competing with the Indian product. Of course, if a tariff is devised which differentiates between qualities, then presumably we should keep our statistics on the same lines and it would be possible to form some idea of the extent of the competition.

Q. Quite so. The next question which arises is whether any tariff could be devised which would bring about that result ?

A. I think probably it could. But one essential condition will have to be that the manufacturers should give the necessary details in their invoices. I take it that it would be some classification by means of the number of what they call elemental threads.

Q. Would you have to amend the Sea Customs Act so as to insert a provision to the effect that these particulars would have to be given ?

A. I am not sure. Under the Act we can have any document that exists made available.

Q. But it would not be available unless you direct that it should be available ?

A. Quite so. There was a circular issued in Calcutta about two years ago which asked for some such details as these but I am not now in a position to say whether they are getting the necessary details in every case. I understand that manufacturers were grumbling very much at having to give them. When you go to Calcutta you may be able to get more details. You will understand that unless you get those sort of details in the invoice it would be quite impossible for us to work satisfactorily. Finding out the number of threads from each consignment would of course mean an enormous amount of work and delay.

Q. Would you mind looking up that point for us? It would be useful before we express an opinion for us to know whether an amendment of the Sea Customs Act would be required to make the giving of these particulars compulsory.

A. Yes.

Q. The next question which arises is whether if you had the particulars given in the invoices, an immense amount of work on the Customs Department would be involved in carrying out such a system ?

A. I do not think it should if the particulars are given in the invoices. We would have to carry out tests just occasionally as a check.

Q. Have you got people who could carry out such tests ?

A. Yes, we have got people who will be able to do that.

Q. I think, Mr. Khote, that you worked some proposals on the subject ?
A. *Mr. Khote.*—Yes.

Q. What happened to them ?
A. I do not know what happened to them.

A. *Mr. Nind.*—I think they were sent up to the Commerce Department.

Q. Were your proposals based on counts, read and pick and weight ?

A. *Mr. Khote.*—Yes, Italy and Spain have been taken as a model.

Q. Weight of course is a most essential factor ?
A. It is only in the grey piecegoods that you can get weight, but in the other classes of goods it is not possible to give the exact weight.

Q. But could you not insist on having weight ?
A. Yes. But even then it would be difficult.

Q. Why ?
A. Sometimes there is a difficulty even with grey goods. Ordinarily when cloth is dyed the weight increases and nobody knows how much it will weigh afterwards.

Q. But could you not insist on the manufacturers stating the weight in the invoice ?
A. Yes, but even then it would be difficult to give accurate weight in bleached and dyed goods for every piece.

Q. Is not that a flaw in the scheme ? Would it be a vital flaw ?
A. Yes, except for grey goods. So far as the grey goods are concerned it is easy. That is my view based on my experience.

Mr. Majmudar.—If the merchants agree, will there be any other difficulty ?
A. The question is whether they will agree.

President.—It is not a question whether they agree. Government can lay down any conditions they like. The objection which has been urged before us against any such scheme is that there are so many hundreds, if not thousands, of varieties of stuff coming into India that it is very difficult to work out a satisfactory proposal. What is your view about that ?

A. *Mr. Nind.*—I think probably that is perfectly correct. I should not like from the administrative point of view to have too many classes of each kind. I mean that it would add a lot of complications and from what I know of our piecegoods the number of qualities is very large, especially when you come into the bordered dhotis.

A. *Mr. Khote.*—Even in white shirtings and mulls, there are numerous qualities.

Q. Would you say, after a study of the tariff in other countries which adopt this system, that the varieties coming into India must be far greater than those going into Austria or Italy ?
A. I cannot say that. But so far as my former reply is concerned, it is based on my experience. In the Bombay market we get at least 80 per cent. of the cheaper qualities and only 20 per cent. of the higher qualities. I do not known about Calcutta or Madras, what qualities they import. My information is that Calcutta imports better qualities to a greater extent than we do. So unless you take one class, for instance, white shirtings, and collect all information from different sources, it will be very difficult.

Mr. Majmudar.—Would not this difficulty be felt only at the time of the introduction of the system ? Once the basis for grading is decided on and the qualities are fixed up, I don't think it would be difficult for you to work the system. It may be some difficulty for the new qualities when they come for the first time, when you have to fix up the tariff for them and to find out in which particular grades each of these is to be put. Otherwise, it should work very smoothly.

A. *Mr. Nind.*—In my view the difficulty will be to frame a tariff which will in any way be acceptable to the trade. Almost any classification you adopt is going to hit certain qualities very badly owing to the number of varieties. I mention the question of dhotis. The price varies enormously according to the border and how you are going to get that in a tariff, I do not known.

President.—Supposing you had a cloth such as a bordered dhoti, weighing 2 lbs. with 100 elemental threads in a square inch. Even then you could not get a satisfactory valuation in the tariff ?
A. I think so. The variation of the borders is there.

Mr. Majmudar.—The cost due to the variation of the borders would not be very much.
A. I speak not as an expert in the matter; but I remember discussing piece-goods questions like this and the difference in the type of border seemed to make a great difference.

Q. It is only the width of the border that affects the price?
A. Probably. I do not know sufficient about it.

Q. As far as that is concerned, a scale of rates might be framed so that the valuation will be based on the width of the border, so much extra for quarter inch, so much for half inch and so on.

A. That is going to lead to a very complicated tariff, it seems to me.

President.—It does seem that if you have special divisions according to the width of the border, the tariff certainly will be getting very complicated.

A. Quite so. From the administrative point of view there is no question about it; we should welcome a specific duty, if simple. But I do not for a moment think that the trade will accept a simple classification.

Q. The scheme attached to question 114A is not a specific tariff, or scientific tariff, is it? It is more or less a specific valuation rather than a specific tariff, is it not?

A. Yes. That comes very much to the same thing in that it fixes the duty on particular piecegoods. Whether it is so much a pound or 11 per cent. on a fixed valuation, it comes very much to the same thing. The difference between the two is that this can be changed more easily by notification by the Government of India, whereas a specific duty can only be changed by legislation.

Q. That is a point on which we want your views. Under what provisions?
A. Tariff valuations are fixed under section 22 of the Sea Customs Act.

Q. But the alteration of a specific duty?
A. Means an alteration of a schedule of the Tariff Act.

Q. What happens to the specific duty on sugar? Is it altered from year to year?

A. It has not been altered since it has been imposed. If it were altered, it would mean legislation. Government have in the case of certain steel bars issued a notification exempting them from so much of the duty leviable by law as exceeds so much. I take it that it is just a temporary measure until they introduce legislation to give effect to it; thus there is a way of getting round the difficulty temporarily. But I think it is merely an expedient and in any case they could not raise the duties in that way.

Q. On the whole you are not in favour of specific duties by weight and count?
A. From the administrative point of view we should like it if something simple could be worked out. But I don't think you can get it simple. That is my point.

Raja Hari Kishan Kaul.—I just want to clear up the question about the value of a piece of cloth judged merely from the number of elemental threads. Supposing we leave alone the borders. Then will the valuation be more or less correct judging from the elemental threads?

A. You mean whether the valuation depends on the elemental threads?

Q. Yes.

President.—The more the threads, the higher the count of yarn.

Raja Hari Kishan Kaul.—Would it not be automatic?

A. *Mr. Khote.*—Not necessarily, because the count may yet remain the same. The greater number of threads gives the cloth a better appearance and fetches a better price but that does not necessarily indicate a higher count.

Mr. Majmudar.—We shall have the weight to guide us.
A. Yes; the finer the count, the less the weight.

Raja Hari Kishan Kaul.—We can have the weight and the number of threads. Then it should be a fair representation of the value.
A. I think so.

Q. Then it is not necessary to mention the counts of yarn?
A. No. No manufacturer will give you that information.

Q. In many varieties the weight and the number of threads should be a sufficient indication of the value because there is no alteration of the value on account of the border. For instance, long cloth or mulls or shirting. This specification should give sufficient material to assist you with reference to their value.

A. It will; but only in the case of grey goods where it is easy. But in the case of printed goods and others it is difficult.

Q. But can't they give the particulars?
A. I think, with difficulty. Mr. Majmudar ought to be able to explain that.

Mr. Majmudar.—The manufacturers would do it. There won't be any difficulty. It might happen that the pieces may vary somewhat in weight, but otherwise there is no likelihood of a difficulty whatsoever.

A. In the case of grey goods it is easy.

Q. So also in the case of bleached and finished ?

Raja Hari Kishan Kaul.—Is there any real difficulty in mentioning the weight of bleached goods more than in mentioning the weight of grey goods ?

A. Whether it is possible to do it, that is the point.

Q. But grey goods are not uniform ?

A. Yes they are not uniform in weight. After the manufacture of grey piece goods a variation in weight results in the further process of bleaching. Whether the manufacturers will give you that, that is my point.

Q. In the same way there is also sizing that may alter the weight.

A. To bring it to the standard weight they size the goods.

Mr. Majmudar.—So far as the bleached piecegoods are concerned, I do not think there will be any difficulty in giving the weight. I want to know whether you known of any difficulty.

A. I am not in a position to say.

Mr. Subba Rao.—You say you prefer specific duties to the present system if it could be worked. May I know why you think so ?

A. *Mr. Nind.*—Because at present we have got to check the valuation, the market valuation that is put on by importers, and that of course is a difficult business.

Q. And then you will have to check the cloth. That will be equally troublesome ?

A. Not necessarily, unless the classification is very complicated. I can conceive of a tariff with a specific duty which we should welcome and which is easy to work. Theoretically a specific duty should be more simple to work than the present system. In the present system the question of market values comes in and that means dispute.

Mr. Subba Rao.—But if you made the system fairly elaborate, then, would not a specific duty, lead to disputes, for example about weight, and so on. You would merely transfer the dispute to another field ?

A. Yes, but it will be a question of fact—does this bit of cloth comes into this class or that class, but I hesitate to express a definite opinion until I know the nature of the tariff to be worked. I would say that there may be disputes and it may mean that we should have to spend a lot of time on each case.

Q. We were told that the difficulty would arise in deciding whether it is 20s, 22s and so on. To decide whether a certain stuff is 40s, 41s or 42s would be difficult and that would lead to disputes ?

A. I think it might.

Q. Would it not be easier to ascertain prices for valuation ?

A. *Mr. Khote.*—So far as my experience of the Bombay markets go we have not very many disputes about valuation.

President.—On the whole the present system works satisfactorily ?

A. So far as the Bombay markets are concerned.

Mr. Subba Rao.—You personally feel that it is easier to ascertain market prices ?

A. *Mr. Nind.*—Theoretically it ought to be easier to check qualities than to check prices.

Q. Assuming the range of classification is fairly simple ?

A. Yes.

Q. For example in the Italian tariff there are about 40 to 50 items. You spoke of the difficulty in getting the weight of coloured goods. They require the weight for coloured and bleached goods.

A. If they do it, it is some evidence that we aught to be able to do it here.

Q. The importer only requires to be told what kind of information will be wanted. It is merely a question of the elaborateness of the classification ?

A. Yes.

Mr. Majmudar.—If the goods are classified into three or four classes, for example, coarse, medium and fine, on the basis of weight and elemental threads, there would not be much difficulty in fixing the qualities ?

A. No, I should think probably not. But it is a little difficult to give an opinion at all. We have not tried to work it. I think on the whole Mr. Khote thinks it would not be.

A. *Mr. Khote.*—I do not think there is much difficulty if these particulars are shown.

President.—What particulars ?

A. I explain the particulars now. In white shirtings I have taken the general imports per month, then it is divided into low, medium and fine qualities. Then I have taken the length and width and then the price. Then I have taken the threads, then the square yards and then I have worked out the price per square yard, and then I have grouped them. And I find that working with white shirtings containing on an average not more than 33 elemental threads to the quarter square inch,—per square yard it is so much ; more than 33 and less than 47 it is so much, other sorts *ad valorem*.

Q. You mean their value ?

A. Yes, the tariff value, but for the present, it will be safer to have some expensive classes dutiable *ad valorem*.

Mr. Majmudar.—In that case it is governed by the price. In our case first of all we will take into consideration weight along with the elemental threads in fixing up the qualities. After the qualities are fixed up the scale of prices will be worked out, and the duties will have to be worked out on that scale.

Mr. Subba Rao.—Did I understand you to say that in the classification you go in for values again ? You classify the different kinds as coarse, medium and fine and then give a value per square yard, and on that value you levy a duty ?

A. Yes, it is a tariff valuation.

Q. Why do you call it a specific duty ?

A. I won't call it a specific duty.

Q. It is merely a new system of valuation making the present system a little more elaborate. It would not be a specific duty ?

A. No, it would not be a specific duty.

President.—What about sizing ? How would you deal with the question of sizing ?

A. That is an element that brings the cloth up to the Standard weight and naturally it adds to the value of the cloth. The value of size is very small compared to the value of cloth.

Q. It adds to the weight also. I wanted to know how you would allow for that when you make out your valuation ?

A. I have not thought over that question. We only take the bazaar values as guide.

Q. In working out the specific tariff you will have to take size into consideration ? I take it that goods coming to India would probably be more heavily sized than those going to Austria or Italy.

A. Heavily sized goods do come.

Mr. Majmudar.—The coarse qualities will be sized more ?

A. Low qualities are well sized.

Q. The difference due to that will not be much ?

A. I do not think it will be very heavy.

President.—I take it that you probably agree, Mr. Nind, that if any scientific tariff were to be worked out on the lines we adumbrated it will have to be done by an expert in piece-goods ?

A. *Mr. Nind.*—Certainly.

Q. It is not a matter in regard to which we sitting here can formulate any definite proposals ?

A. I certainly think you want the assistance of somebody who is conversant with buying and selling in the market.

Q. Will it not require very detailed study of everything that comes in. Won't that take time ?

A. *Mr. Khote.*—It will, certainly.

Q. You think it would ?

A. *Mr. Nind.*—Yes.

Q. I think so too. Then, we pass on to the question of the proposals which have been laid before you. We have received very pungent criticisms in regard to them. The main criticism is that they would give an undue advantage to imported goods. For instance one of the criticisms that has been made is that the value of mulls is placed at 2 annas 11 pies per square yard whereas mulls coming into the market cost about a rupee a yard. A valuation of 2 annas 11 pies per square yard means about 3½ annas an ordinary yard I think. What are your views in regard to that ?

A. I think that it is impossible to have a tariff without classification according to quality which is not bound to hit some particular kind. Presumably this is worked out to get

roughly the present amount of revenue that we get from the present *ad valorem* system and they have taken the average of the values of the different kinds of piece-goods described here that are imported. Well, it means that the better qualities would come in light and the lower qualities are going to be hard hit.

Q. You consider that a defect ? Isn't it very important that if any cloth comes off light it should be the cheaper cloth ?

A. Well.....

Q. I am not looking at it from the point of view of protection but from the point of view of the consumer. It would seem desirable that if any cloth were to be hit it should be the cloth which is best able to bear the additional duty ?

A. Quite so. That is a defect of course about all specific duties or tariff valuations.

Q. Does it not point to the fact that this scheme is not elaborate enough ?

A. Certainly.

Q. When there was a tariff valuation for Excise purposes I believe there were no less than 40 classes and here we have less than 20. From our point of view, which is as you know to ascertain the exact quality of what is coming into India, it would be of no use to us would it ?

A. No. You get all the details given in it now.

Q. It will merely be a help to you but none whatever to us ?

A. It would not help to ascertain what is coming in.

Q. If we were to suggest specific valuation what would you think of a beginning being made with grey goods and then if it were found to work successfully it might be applied to coloured, bleached and printed goods ?

A. It would be better if you were to take one class and work it up, and collect all material.

Q. Have you any record of the customs duty paid on grey goods ?

A. Yes.

Q. There will be no difficulty in working out a scheme which will bring in the same duty as is at present levied ?

A. No.

Raja Hari Kishan Kaul.—It will cause no confusion if you introduce a specific duty on grey goods and keep the *ad valorem* duty on other kinds of cloth ?

A. *Mr. Khote.*—No.

Mr. Majmudar.—You say a specific duty might hit low qualities ; that is according to this method of classification.

A. *Mr. Nind.*—In order to obviate that you must have each class divided up by qualities.

Q. In that case you would not have the objection of the lower qualities being hit ?

A. It is not an objection that I have as Collector of Customs.

President.—We quite understand that ?

A. The only way to get over this difficulty is to have certain qualities under each class.

Q. So much for that. Now, we had a gentleman before us last week, Mr. Karanjia, who is very firmly convinced that the actual customs duty levied by you on piece-goods is 9·9 per cent. and not 11 per cent.?

A. We can explain to you how it is.

Q. I can see how he arrives at the result, but cannot believe that he can be right. Otherwise, I cannot believe that the Customs Department has been levying one per cent. less duty than it should ?

A. If you read section 30A of the Sea Customs Act, you will see that we have to levy the duty on the wholesale market value of the particular goods at the time and place of importation less duty.

A. *Mr. Khote.*—We do not charge duty on duty.

Q. No, of course not.

A. *Mr. Nind.*—That is what explains the error into which he has fallen.

Q. You should not charge duty twice over ?

A. Quite so.

A. *Mr. Khote.*—We have got a method of working it. We multiply by 11 and divide by 111 to the market value cum duty.

Q. You multiply by 11 and divide by 111 and the net result of that is you are not charging duty on duty ?

A. *Mr. Nind.*—That is so.

Q. I see you are levying under your system a duty on what should be, if it were correctly stated, the full invoice value before the duty is charged at all ?

A. It is not a question of invoice value. This only happens in the case of assessment an wholesale market value.

Q. Market value should be the invoice value if it were properly stated, plus duty?

A. *Mr. Khote.*—Plus profit and other overhead charges free market godown.

A. *Mr. Nind.*—In other words it is the wholesale market value, at which goods change hands in the market.

Q. But if you get the invoice value, don't you levy duty on that ?

A. *Mr. Khote.*—Ordinarily piece-goods are not assessed on invoice value.

A. *Mr. Nind.*—Where the wholesale market value is not ascertainable, for instance in the case of motor cars where they do not sell them wholesale, we take the cost of delivery. There are two alternatives in section 30 of the Sea Customs Act.

Q. There is nothing in this, then that the customs duty is really less than it should be ?

A. *Mr. Nind.*—I think we have explained what he has got in his mind.

Raja Hari Kishan Kaul.—Let us take the invoice value to be say 85 and 4½ to be the profit and say about 10½ to be the duty, which makes up 100. You charge duty on 89½ or thereabouts—it will be a little less than 90, so that you charge the duty on the invoice value as well as on the profits which the importer is likely to make ?

A. *Mr. Khote.*—Certainly.

A. *Mr. Nind.*—When we are assessing on wholesale market value, we do not take the invoice value into consideration, but the actual bazar rate.

Witness No. 13

MR. G. S. HARDY, I.C.S., COLLECTOR OF CUSTOMS, CALCUTTA

Oral Evidence recorded at Calcutta on the 28th September 1926

President.—The point on which we are anxious to get your views, Mr. Hardy, is the question of specific as against *ad valorem* duties on cotton textiles. There are three ways of looking at the question. One is from the point of view of the Customs administration with which you are mainly concerned but with which we are not so much concerned. The second is from the point of view of information as to the exact extent of the competition between the imported goods and goods of Indian manufacture. And the third is from the point of view of protection. Let us take the second first—the question of ascertaining the exact range of competition between imported goods and those of Indian manufacture. One of the points we have been up against throughout the whole of our enquiry is the difficulty of ascertaining the exact extent to which the Japanese goods compete with Indian goods and with those from the United Kingdom, and it has not been possible to get any light on it from the Customs statistics.

A. I presume that is because it is a question of the counts of yarn. Of course we record no information about counts. And I do not think there is very much in the Millowners' representation about the class of goods from which they claim the competition is hitting them.

Q. Sheetings, shirtings and to a smaller extent T cloths, domestics and drills are the classes which they say compete.

A. White and grey?

Q. White and grey. More especially grey from Japan.

A. And not dhoties.

Q. Not so much, at present.

A. But of course we keep no record of counts of yarn. We could keep a record without very much difficulty I think of threads to the square inch. That would be a much simpler thing to test than to test the counts of yarn. That I think would involve very considerable difficulty which we should undertake with some hesitation.

Q. As regards counts of yarn?

A. Yes. You cannot merely look at the cloth and say it is made from 80s or 100s.

Q. No, quite so.

A. It has got to be subjected to a test, which would be much more difficult than merely counting the number of threads per square inch.

Q. Have you studied the Austrian tariff at all? It seems to be the latest scientific tariff that is based on counts and also on threads to the square millimetre.

A. It seems to be a fairly scientific classification. It does not distinguish between yarns up to 21s. Further you have got two distinctions at 50s and 100s. I think there is a lot to be said for the point of view that in framing the tariff you want something not merely which can be understood by a trained appraiser but something which is also understood by the comparatively illiterate merchant. I mean to say he is not in the habit of asking for counts of 20s or 30s. He asks for Rallis' 2000 or somebody else's "Elephant" or something of that sort and there is a certain danger I think of upsetting the consumer if you are going to charge different rates of duty according to criteria which he does not understand in the least.

Q. The question is are we ever going to get any information? We are looking at it at the moment from the point of view of information as to competition. How are you going to get information as to the extent of competition which it is desirable that you should have when going into this question?

A. The mere getting of information seems to me a question independent of any change in the tariff. I may say we can demand information whether we use it for tariff purposes or not. We can demand it for statistical purposes.

Q. That is a point on which we should like you to enlarge if you would?

A. If this information is required for tariff purposes, we have to check it whereas if it is merely required for statistical purposes it means additional labour in checking it and it is a little more difficult to enforce accuracy. Further, of course if we demand that invoices should show or at any rate that declarations should show the count of yarn that

was used, supposing that the Japanese were aware that we wanted to collect this information in order to frame protective proposals against them it would not be very reliable when they gave it. Either that, or they will simply say they do not know. We can make things unpleasant for them by saying that we shall retain their goods, but that will give us a great deal of trouble and will probably necessitate a considerable extra staff.

Q. In what form would you demand such particulars ? We have some correspondence here on the subject in which Mr. Stewart, the Collector of Customs in Madras, says that a Collector under section 86 of the Sea Customs Act can demand what he chooses from the importer, but that details which are given in a bill of entry and are subscribed to by the importer are a very different matter to a declaration by manufacturers on an invoice. Do you agree with that ?

A. There is much to be said for that. We can demand information from an importer. But the importer is always in a position to say that he has not got it, and our only remedy against him if he refuses to supply it, is to prosecute him, and we should hardly be likely to sustain a prosecution without proving that he had the information. The onus of proof is on us.

Q. If you want to get these details of counts, can you demand that they should be included in the invoice or only in the bill of entry ?

A. We can only demand that it should be included in the bill of entry, and also demand the production of the invoice. It will always be a good defence for him to say that he has asked the manufacturers and they have refused to supply the information. That will be a complete answer. You could possibly persuade the Lancashire people to give you the counts in most cases but I think you would have great difficulty about Japan. I do not know much about the process of testing counts but I think it is rather difficult.

Q. It is a somewhat technical matter.

A. You have got to boil down the stuff to be tested and there are various chemical processes for getting rid of sizing, etc.

Q. That is so.

A. It will be very troublesome to have to do that in every case.

Q. Apparently they do it in Austria.

A. They possibly deal more with people whose declarations they can rely on than in the case of the Japanese.

Q. It comes to this then that you really do not see any way of getting over this difficulty ?

A. Well, I should not feel happy if I were asked at a moment's notice to record the counts of yarn of all piece-goods that come in.

Q. Threads to the square inch would be a much easier matter ?

A. Yes.

Q. But then I do not think that will be of much help ?

Mr. Majmudar.—No.

President.—Even with weight ?

Mr. Majmudar.—To a fair extent, but it would not be exact without getting rid of the size, it would be difficult to distinguish, say, 30s from 35s.

A. Have you asked the importers what they think about the declaring of counts ?

President.—No, they are coming to-morrow. You are our first witness here.

A. I think they are a little nervous about it.

Q. Then it brings us to the next point, which is as you might have probably gathered, that one of the demands of the Bombay Millowners' Association and of other witnesses has been that a higher duty against coarser counts, counts below 40s, should be put on. But it would be quite impossible to propose such a duty except on the basis of some tariff such as the Austrian.

A. Yes, but if counts merely came into the question as a simple dividing line in the tariff, that would probably eliminate the difficulty, in a large number of cases. It might be more feasible then. In a number of cases it could be said at once that the counts are less than 40s or higher than 40s.

Q. It is a question of the counts near the dividing line. It is quite easy to substitute 44s for 38s.

A. We should not have to test every case. We should only have to test a small proportion of doubtful cases. A certain number of cases could probably be passed at sight. A very large proportion of goods is sold having recognised marks and numbers, and the count and thread I suppose can be fairly easily ascertained for these well-known marks or numbers. If we once get information for these marks we could pass them without further

examination, or on a cursory examination, and the number of cases in which we should have to test would be comparatively small. That is to say, if you merely put a single dividing line.

Q. Only one you mean ?

A. Yes, here (in the Austrian tariff) of course they have 21s, 30s, 50s and 100s. If you were merely to put one at 40s, then it might possibly be workable.

Q. I think at least two dividing lines would be wanted, say, 30s and 50s.

Mr. Majmudar.—30s and 44s.

A. You would have three groups then. Of course you have got the case of different yarns used in warp and weft.

President.—Yes, that is another complication.

A. You might have, say, 25s warp and 45s weft.

Mr. Majmudar.—Would the English importer not object to mentioning the counts if the dividing line is fixed at 40s only instead of having two dividing lines ?

President.—I think you want two ; to get the exact range between Indian and Japanese and United Kingdom. Above 50s probably there would be very little from Japan.

A. How would you separate 35s warp and 45s weft ?

Q. Anything with counts above 40s in it would be treated as above 40s. That seems the logical way. Then again you have got bleached, coloured, printed and dyed. Would that not add to the complication ? We have been told that it is very much more difficult to distinguish the counts in coloured, printed and dyed goods than it is in grey or bleached. Is not that so ?

A. The process of dyeing must necessarily add some weight which by the ordinary chemical process you cannot eliminate. Do the Bombay mills claim that there is much competition in dyed and printed goods ?

Q. Not to the same extent, although they maintain that it is growing, especially in Japanese goods.

A. Don't they import Japanese goods and dye them in some cases ?

Q. Yes, they do. As a matter of fact, that is one of the attractions of the Japanese goods. They are easy to dye.

Mr. Subba Rao.—Do you say dyed by the mills ?

A. I think some of the mills who do dyeing business do dye other cloth.

Mr. Majmudar.—Not in Bombay, to my knowledge.

Mr. Subba Rao.—Is it done this side ?

A. No.

President.—That is by the way. There are two further points on which we want your opinion. I take it that you would be in favour of a trial being made for grey goods in the first instance. Would there be any difficulty arising if you were to apply this system ?

A. In recording counts ?

Q. Yes or even threads. Would it make things easier if you adopted a specific tariff for grey goods in the first instance and left the bleached, coloured, printed and dyed to a later stage ? If you were first of all to see how it works in regard to grey goods and then expand it if it proved satisfactory ? Would that give rise to any Customs difficulties ?

A. I think it would, if we compel people to declare the counts. It is a question of detaining the goods until we have decided, which is particularly undesirable in this port where the Port Authorities only allow two clear days for clearance as against five in Bombay.

Q. What action is necessary to make them declare the counts ? Would it require an amendment of the Sea Customs Act or can it be done under the present Act ?

A. We could try to do it under the present Act. We may fail. We can attempt it but I do not think we can enforce any penalty.

Q. In any case, I imagine that any scheme of fresh specific duties would have to be worked out by a piece-goods expert ?

A. I think so.

Q. It would be quite impossible to frame such a scheme off hand, owing to the variety of goods imported ?

A. It will take a great deal of work for the whole range of the trade. I do think that it would be dangerous to embark even on a tentative classification of the simpler goods which involved assessment on counts until we had a well established trade practice of declaring counts, a practice sufficiently well established for us to be able to rely on its

accuracy and merely effect occasional checks instead of having to test each case before assessment. There is all the difference between assessing goods on the result of examination and assessing them on the declaration subject to a check examination. The latter is very much less arduous than the former. Take a case in point, a mixed consignment, say, of spirituous medicines. The strengths declared are of 40 or 50 different rates. We can assess them straight away on the declaration and take out four or five just for check test and if we satisfy ourselves that these four or five correspond with what has been declared then we assume that the others are all right. But if they come in without any declaration of strengths and we have got to test the whole lot then it means a very great deal more work.

Q. Coming back to the question of protection for a minute, do you think, supposing we were to recommend an increased duty as recommended by the Bombay Millowners' Association, on cloth of counts below 40s, the simplest plan would be to recommend an increased *ad valorem* duty, assuming as undoubtedly would be the case that this protection would have to be introduced at once ?

A. I think that would probably be so. To begin with it will be better to have an increased *ad valorem* duty.

Q. Then as regards the increased *ad valorem* duties, if it were imposed by counts there is that trouble about the possibility of substitution. That would lead to considerable difficulties. If you get cloth which is now made of 38s it would be made of 42s in order to escape the duty ?

A. Certainly. Even if you penalise the coarser counts the Japanese would certainly tend to leave that alone and produce slightly finer counts. They are quite capable of doing it, but possibly the mills would have achieved their end.

Q. Not if the Japanese were sending in their 42s as cheaply as they send 38s. I am merely using these figures for the purpose of illustration.

A. Well, you have to put a limit somewhere.

Q. You would have to put the limit fairly high, say, 44s.

Mr. Majmudar.—Yes.

President.—It is rather difficult to test 44s as against 40s. Wherever you put it there is bound to be that difficulty about testing. We have been sending out samples to various mills, and their analysis varies considerably. Although we sent two samples of the same piece of cloth one would say it was of 32s and another that it was of 34s.

A. There is one aspect of our *ad valorem* duties which sometimes is not appreciated, and that is that although the Sea Customs Act lays down a similar assessment for goods of a like kind and quality we do not necessarily achieve that on account of the value of the trade marks. A well-known brand bearing a particular mark will have a considerably higher market value than precisely the same goods sold under some other mark.

Q. How do you deal with cases like that ?

A. We assess goods of a particular mark according to the market value of goods of that mark and recover a higher duty on a more valuable mark than on another although both are of the same kind and quality. They may actually be produced from the same looms in the same mills.

Q. You have put forward a scheme for specific valuation ?

A. Yes, tariff valuations.

Q. As a matter of fact we are hardly in a position to criticise it. It is a valuable suggestion, but it is hardly an aspect of the case with which we are concerned as a Tariff Board.

A. That is so. In fact I think if it tended to achieve anything at all it would be rather in favour of the importer than anybody else. That is to say, that if anything it would make things easier for the importer, since a tariff valuation tends to penalise the cheaper goods, and to let the better class of goods come in at slightly lower rates.

Q. That, of course, is one of the reasons why they opposed it in Bombay. How are you going to get over that ?

A. The scheme was not made with protection in view. It was merely for administrative convenience and the convenience of the import trade.

Q. I suppose you will agree that in the present conditions it is certainly not desirable to diminish the present amount of protection ?

A. I am not prepared to give an opinion on that. I have not considered how far the case of the Bombay cotton mills is really a good one. I should refer not to commit myself by saying that they either need more or less protection.

Q. It is questionable whether it is desirable to make a change which would work against the cotton industry. If you have a revenue duty it is also a protective duty, I think a good deal can be said for giving it its full protective value which your scheme would not. Would it ?

A. Well, it would be to the advantage of the standard brands of goods which command a higher price on account of their name. It would merely mean that they would be assessed at the same rate as other goods of a like kind and if the mills can successfully fight the competition of brands that are not very well known, and will not command very high prices, then they certainly ought to be able to fight the competition from others. It is not that the cheaper brands are not paying enough duty. It is that the others are paying duty not merely on the cloth but on their good-will as well. It would tend perhaps to remove that little bit of protection which the mills have.

Q. I take it that you could enlarge your scheme very considerably. There are about 20 divisions here. There used to be 40 for the purposes of excise duty.

A. It would obviously have to be enlarged very much. The classes are too few and too wide at present. My object was rather to stimulate people in other ports to make original suggestions.

Raja Hari Kishan Kaul.—If it is proposed to put an additional duty on 40s counts and below, the line would have to be drawn at 40s and you think that for that purpose it will be necessary to train the importers and the producers to state the counts definitely before the system is introduced ?

A. I think so, yes.

Q. Until the experiment was tried, it would not be possible to train them to do that ?

A. I do not think that would be so. I think it would involve enormous delay if we in the Customs House had to detain, say, three-fourths of the packages while we tested the rest.

Q. How would you train them ?

A. We should simply have to try and insist on their stating their numbers in their invoices and wait for, say, three or four months and begin by merely keeping statistical records for these counts and testing them till we reach the stage where we find that the declarations correspond pretty consistently with the results.

Q. So you think that if an additional duty was to be put on, it should be *ad valorem* and then you would require these particulars to be stated for a period of three or four months only and after the practice of giving these particulars had got established, then you would introduce this specific duty ?

A. Yes. I think you must leave a few months, at least three months, or probably more, say six months, before you get the habit sufficiently acquired to make it workable.

Q. Are you in favour of introducing a specific duty straight away ?

A. Not on sub-divisions of that nature.

Q. No other sub-division would give sufficient details. According to the Austrian Tariff, you would require the counts and the number of elementary threads, and nothing short of that would give us the particulars needed.

A. Not if it is a correct statement of fact that the competition is restricted. The proposal to differentiate in counts below 40s and above 40s is stated to be based on the fact that the Millowners claim that it is counts below 40s with which there is competition. I am not in a position to verify that claim as we do not deal with the Indian produced goods. But if it is so, presumably this is the only possible sub-division which is going to secure protection for the mills without putting protective duties on goods which do not compete. It might be possible to have some other classification which would include all the competing goods and exclude all others. That I cannot say.

Q. Of course one difficulty is that if you put on protective duties against sheetings and shirtings, it would turn the attention of competitors to various other lines. I do not see very well how a protective duty against certain sorts of goods....

A. What I mean is rather this. There is presumably some limit to the number of threads of cloth of yarns coarser than 40s. If instead of imposing the limit at 40s, you take something else. For instance, for cloth coarser than 40s, what is the greatest number of threads per inch ?

Mr. Majmudar.—About 70 per half-an-inch or 140 to the inch.

A. Supposing you put the limit at 140 and take 140 threads to the inch and then divide. That might give you a sub-division which at any rate would make the lower grade include all the goods which compete in addition possibly to some others which do not compete and it would be simpler from our point of view to work than any system involved in the testing of counts.

Raja Hari Kishan Kaul.—You think it would sufficiently specify the standard ?
A. It would be an easy criterion to adopt.

Q. It would not be necessary to take the weight along with the number of threads ?
A. For what purpose ?

Q. For the purpose of determining the standard which the Bombay Millowners suggest should be brought under additional taxation. Would it be quite sufficient to know the number of elementary threads ?
A. That is for them to say.

Q. You think it will be sufficient in order to distinguish the standard which they propose to bring under this protective duty ?
A. All I say is that if they merely want protection against goods below 40s, it might be possible to achieve the object by drawing a dividing line based not on counts but on elemental threads. It might also be possible to further restrict the lower grade cloth by introducing considerations of weight. Whether that would achieve their end or not. I cannot say without knowing more about the Bombay trade.

Q. That could be done.
A. We should have no difficulty in testing weight or in testing the elemental threads. But we should have very considerable difficulty in testing the counts.

President.—I am afraid the only satisfactory way of doing it from their point of view is the other way. Supposing we recommended a dividing line on 40s counts, cloth made from yarn of 40s counts, how much trouble would it give you ?
A. I think it would give a great deal of trouble ; but we could try.

Q. Would it be very difficult to carry out at once ? Supposing we were to recommend a 25 per cent. duty on cloth of counts below 40s, what would be the effect so far as you are concerned ? The Government of India are naturally anxious that the customs aspect should be carefully examined before any recommendation is made.
A. I don't think we are justified in saying that it is impossible, because it is done in other countries. But it is a thing which requires, first of all, a good deal of training of our own people and secondly, you do have that difference between India and countries like Austria and the United States, that there are people here to whom these things mean nothing.

Q. In what way could any differentiation be made between the coarser and the finer goods for protective purposes which could be carried into effect at once by the Customs Department ?
A. Without having somebody to go into the thing in detail, it is impossible to say. But I merely threw out as a tentative suggestion that you might indirectly secure what would to all practical purposes be a differentiation between above 40s and below 40s by classifying your cloth on elemental threads and weight.

Q. You think it possible ?

Mr. Majmudar.—If you employ one man for testing the counts, it should not be difficult. I think a man on Rs. 150 or 200 could do that.
A. It is not a question of what you are going to pay the man. It is a question of time.

Q. A full time man could be employed.
A. How many samples will he do in the course of a day ?

Q. You will have to examine each and every sample only once at the beginning.

President.—The point I want to get at is if we recommend protection which is to be given effect to at once, under what scheme could such protection be given at once. Can you differentiate between goods of counts under 40s and goods of counts over 40s ? That is the point we are going into now. Mr. Majmudar is thinking that it might be introduced in a year or two years' time. But if protection is to be given, it will have to be introduced immediately for obvious reasons and is there any way of doing that ?
A. Supposing you said cloth of less than so many elemental threads and more than such and such weight per square yard, you would then have a sub-division. You will be able to secure a sub-division for all practical purposes, all below 40s on one side and all above 40s on the other.

Mr. Majmudar.—That would be feasible.
A. But as I say, we should want an expert to work at it.

President.—You want your expert to fix your original dividing line ?
A. Yes.

Mr. Subba Rao.—If you want to impose some kind of duty immediately, whether it be a specific duty or an *ad valorem* duty, the difficulty of ascertaining the quality of cloth cannot be got over? Whatever be the form of duty, you will have to ascertain the difference between the kinds of cloth?

A. Not if you raise it on all piecegoods from 11 to 25 per cent.

Q. Even then, that difficulty cannot be got over, since you have to ascertain what kinds of cloth are coming in and what their prices are. You have got to face the difficulty. If you are to get the duty into operation very soon, the difficulty of ascertaining the different kinds of cloth cannot be got over by a system of *ad valorem* duty?

A. No.

Q. Unless you find out what is the kind of cloth, you cannot say what tax you are going to obtain from it, whether it is by weight or yard or by value?

A. No.

Q. What time do you require for completing this kind of preliminary operations?

A. Say about six months.

President.—But why would you want six months if you were to base the duty on elemental threads and weight?

A. Because in the majority of cases where these things have to be declared the piecegoods will have been bought three or four months ahead, and you will have to give the manufacturers notice. On orders placed now for December or January shipment, at the time of sending the indents it is necessary that the indentor should ask the manufacturer to give his invoices when they come out, the weight and the number of threads, and not merely the yardage.

Mr. Subba Rao.—And even supposing you got them, you have to test them?

A. Yes.

Q. It will require a fair amount of time?

A. Yes, and giving the trade a considerable amount of harassment?

Q. Whether it is now or later, the difficulties you visualise are of two kinds, administrative and secondly vexation to the trade?

A. Yes.

Q. And I suppose they have got to be faced if you once make up your mind to put into operation this kind of tariff. You are aware that this system is adopted elsewhere. Do you think it really difficult to educate our people to appreciate these differences.

A. I do not think it is insuperable.

Q. But do you think the trouble is worth the while? Is it likely by taking this trouble you will achieve your object—the object aimed at of giving protection to certain lines of goods?

A. Yes, I think it could be done.

Q. Without leading to evasion?

A. Yes; I think so. When you say evasion, you mean actual evasion, not indirect evasion of importing other lines of goods?

Q. They may import goods of counts slightly higher.

A. That they might do. It is a different form of evasion. You would have to fix a reasonable margin above the limit you want to tax.

Q. Sufficiently wide to cover such evasions?

A. For instance, if you want to protect up to 40s, fix your limit at 50s then it would not matter if they send 42s or 48s. What I was trying to get at is that your classification must be very elaborate if you want to give full protection to certain lines of Indian products. Unless you keep a very wide margin, say at 50s or 55s it is difficult.

Q. Would that not entail a good deal of trouble and would you be able to achieve the object? As you have said if you have one dividing line which is fairly high, you can give the protection you wanted. But if you had more than one dividing line, would not that lead to evasion or leakage from one group to another? Supposing you want one kind of protection for counts under 25s and another kind for counts from 25s to 40s?

A. I should certainly suggest that the number of dividing lines should be as small as possible. Our chief difficulty is about the border lines and therefore the more border lines there are, the more troublesome it is.

Q. So in order to avoid the difficulty, the line is to be so high as to practically cover a good deal more than the highest count required? Unless you want to take a good deal of trouble, you must so fix your dividing line that there will be no competition from foreign goods that are just on the wrong side of the border?

A. Yes. You want to allow a reasonable margin.

Q. Suppose our maximum was 40s, we have to fix the line at about 50s. That will give the necessary protection ?
A. Yes.

Q. And that will be the only way of working the scheme in a fairly simple manner without unnecessary vexation to trade ?
A. Yes. It must be remembered that the piecegoods trade alteady gives the Customs Department as much trouble as any.

President.—Even under the present conditions ?
A. Even under the *ad valorem* duties and the mere institution of a dividing line is not going to do anything to lessen these difficulties ; it is going to add to them. On the other hand if you are going to stick to *ad valorem* duties you might possibly find that if we for administrative reasons desire to adopt tariff valuations, it might defeat your end. Therefore there is all the more reason for our changing the present rather harassing market value method of assessment so that in any case it looks as though the importer is going to be at an advantage.

Mr. Subba Rao.—You mentioned vexation to the trade.
A. Vexation to the trade on the *ad valorem* basis is growing rather than diminishing in continual increase of direct business done by upcountry firms. They have not their own expert representatives at ports and they clear goods here through a clearing-agent who is not a piecegoods expert. Therefore they are not really in a position to do what the law requires, namely to make a declaration of the market value at the time and place of importation. They can tell you what the market value in Cawnpore is, but they cannot say what the market value here is being in Cawnpore themselves. And their clearing agents, not being piecegoods experts themselves, are not in a position to run into the bazaar and find out. The upcountry merchants complain a great deal about that difficulty and it is very much with them in view that I have been considering the possibility of tariff valuations.

Mr. Majmudar.—Do you find that no merchants know anything about the counts of yarn used in the manufacture of cloth ?
A. It does not come into consideration at all.

Q. Can you say whether they are taking more interest in knowing the counts of yarn in cloth ?
A. I think good piecegoods brokers could possibly tell you if you ask them. They might be in a position to tell you. But whether the ordinary merchant would, I do not know. Certainly he is not required to declare them by us.

Q. But he would certainly know as to whether it is below 20s or above, whether it is below 40s or above. They know it from the cloth.
A. Oh, yes ; most of them.

Q. So if the grade is fixed up at say below 40s or above 40s, there should not be any fear of complaints from the merchants. They do know what counts the cloth is made of and if you fix up certain counts, the merchants would be fairly able to judge as to whether the grade that you have fixed up is correct or not.
A. Yes ; they might. I am not able to speak with certainty as to how far the knowledge of counts is extensive among the piecegoods merchants. Possibly some of them might know and some of them might not.

Q. Can you give us an idea of the number of brands coming in ?
A. One of my piecegoods appraisers started to make a list about six months ago. He has given up the attempt now. But he has recorded over 2,300 brands on this market alone and he has not nearly completed the list.

Q. That shows that the number is a very big one and if the testing has to be done, it will take some time.
A. Yes. Those are all recognised ones.

President.—I suppose new ones are coming in every day, from Japan especially ?
A. Yes ; there are a large number already.

Q. The list is being added to ?
A. Yes.

Mr. Majmudar.—To your knowledge, are about 100 new brands introduced every month ?
A. I could not say that off-hand. I have no idea.

Q. If you get the staff and the time, testing of counts will be the best method. In doing so, is there a likelihood of any other difficulty ? Supposing the testing is started six months later ?

A. We might avoid delay, involved by making the importer deposit duty at a higher rate and get refund on the results of testing. But all this would mean a lot of extra work. We do not like the system and the importers too do not like it. I think it would be very difficult to ensure that all our tests would be done within two days. The time allowed in Calcutta from the time the goods reach the jetties is only two days compared with five days in the Bombay docks.

Q. Is it not customary for the merchants to get the shipment samples a fortnight or two earlier ?

A. Yes.

Q. Could you not analyse those and test the counts ?

A. Yes. A good deal could be done in that way.

Q. And this difficulty about time would be avoided.

A. Provided we could trust the shipments samples to agree with the goods.

Q. Are there many frauds like that ?

A. No.

President.—Does the question arise under your present system ?

A. Yes, in ascertaining the market value, because we take shipment samples into the market to ascertain prices. Do you necessarily ascertain the price of a particular number ?

A. We state the number as well.

Q. But you might not find it on the market. You say there are over two thousand brands and so you cannot always be sure of finding somebody who has dealings in a particular number.

A. We find out what they can be sold for.

Mr. Subba Rao.—The point is sometimes made that sometimes it hits them. A man might get a large commodity and owing to difficulties he might sell it at a loss. Would you take that as your present price ?

A. No. We shall take the normal assessment. One great advantage we have with a market valuation is if a man has obviously not declared the correct value of his goods we can take them over at his price, whereas with specific duties we have no such remedy. That is the final criterion when we are in difficulty as to whether the price is a proper one or not. We can always see whether there is any one willing to buy or not, whereas we should not have that assistance if we were merely basing assessment to a specific duty on the quality of the goods. I think it is highly desirable that before framing a change in the tariff somebody should go in great detail into the exact effect of it. Some expert must spend his whole time on it for several months.

Q. I quite agree, it would be necessary to have an expert on this work.

A. And I think that will take probably the best part of six months, during which time we can attempt to persuade the manufacturers to give us the details we require.

Mr. Majmudar.—There is only one more question I would like to ask. Is it possible for you to keep a register of the prices of the goods that are coming into India ? We tried to find out prices of Japanese yarn and cloth for last year in order to find out whether they were selling below cost, but we could not get them.

A. We tried. As I say we found the number of brands were so enormous that it would be a colossal labour to keep up a register of that sort.

Mr. Subba Rao.—Could you tell us if in the last six or eight months there has been an appreciable decrease or increase in the imports of Japanese goods into Calcutta ?

A. I have not looked into that point. I could let you know.

Q. I should like to know that. That will be ascertainable from the Trade Returns. Will it not ?

President.—The monthly Trade Returns do not show it.

A. I can let you have the figures month by month.

Mr. Subba Rao.—We have then for the last year, but we want it month by month, from the United Kingdom, Japan and other countries for the subsequent months.

A. You would like a classified statement if possible for the heads we record. Do you want quantity or value ?

President.—Quantity. Value does not matter so much.

Witness No. 14

Mr. H. MOOKERJI, APPRAISER, CALCUTTA CUSTOM HOUSE

Written Statement dated Calcutta 23rd October 1926

The object of this note is to lay before the Board a general review of the different qualities of yarns and piecegoods—imported and indigenous—current in the Calcutta market, and to comment on the extent of competition between them. This report is based on information obtained by personal enquiries in the market. Owing to the Pujah holidays and to the rumour of an apprehended riot, I could not get as full details as I should have liked to present before the Board. Besides, the time at my disposal was very short. I am given to understand that this information must be submitted before the last week of October, when the Board would proceed to write up their report.

Incidentally, however, I have taken the privilege of discussing the question of a scientific tariff on cotton piece-goods as laid down in the question No. 114 of the printed questionnaire.

Cotton Yarns

Grey Yarns

Indigenous yarns have, really, to face a very acute competition from the Japanese yarns of counts up to 40s. Table I (Appendix) shows the quotations of different kinds of yarns, prevailing in the Calcutta market, on 7th October 1926. Swadeshi spun yarn from the Madura Mills up to 32s, are very popular in Bengal. The figures below show the range of prices of important counts of yarn in the Calcutta market :—

Counts	Madura Mills	Other Indian Mills	Japanese Yarns
20s	3 11 6	3 5 0	3 15 0
32s	5 2 0	..	5 4 0
40s	..	..	5 4 0 to 6 10 0

The above quotations are based on bundles of 5 lbs. each.

The popularity of the Japanese yarn is due to its cleanliness, strength, and elasticity.

Mixing

From the superficial examination of the yarns imported from Japan, I am of opinion that a clean yarn is obtained from a better mixing of raw cottons. It is probable that the mixing is effected in the scutcher instead of at the stack, as obtains in the mills at Bengal. The advantage of this mode of mixing is that the dirtier cotton may be given more beating at the opener when passed through, separately, and, then, mixed with the cleaner cotton. If cottons of the same mixing properties, but one dirtier than the other, are blended at the stack, the machine (opener) has got to be adjusted according to the degree of impurities in the less clean cotton, resulting in a greater amount of waste of the cleaner cotton. This is obviated by mixing at the scutcher, bringing down the cost of production.

Short reeling

A considerable amount of suspicion exists about the Japanese yarn being short reeled. A very respectable European firm informs me that they send lots of Japanese yarn, bought at random from the Calcutta market, to Lancashire for checking the length of the yarns. In each case a shortage was established. The Indian Merchandise Marks Act lays down rigid conditions, together with other Government executive orders precluding Customs officers from testing the length of the yarns at the time of importation. This alleged illicit method of short reeling possibly gives them an advantage to sell at a cheaper price also.

Consumption in the hand looms

The hand loom weavers form the bulk of consumers of the Japanese yarn. They prefer the Japanese yarn, even though short reeled, to indigenous yarns, as they assert that the former give better results in the reparatory and weaving operations which, more

than counter-balance the advantages of cheaper yarns from Indian mills. Besides they do not buy their yarns by weight basis. They check the counts by the number of knots or "morahs" in the bundle. This crude method of counting yarn makes them an easy victim to this alleged dishonest trade practice of short reeling.

Coloured yarns

Statistics show that the importation of coloured yarns is steadily falling in counts from 31s to 40s, which constitutes the bulk of the import from the United Kingdom. This has been brought about by a corresponding increase of the above counts of grey yarns from Japan.

In Bengal, a number of small dyeing establishments have sprung up. They use a lot of Japanese grey yarns and supply the market at cheaper rates than the English imported coloured yarns. Preference is given to the Japanese yarns on account of their cleanliness as well as the facility with which the same can be dyed on account of their strength, thus ousting the Indian yarns.

Suggested remedies

1. Thorough researches should be started in the Indian mills for improving the qualities on scientific lines, with the introduction of rigid economy at every step.
2. Attempts should be made to restrict the exports of raw cotton to Japan.
3. A small export duty of 6 per lb. should be imposed on cotton exported to Japan from India. This duty of 6 per lb. will perhaps help to raise the price of Japanese yarn by 7 pies per lb. calculating a lb. of yarn to be spun from 1-1/5 lbs. of raw cotton approximately. This export duty would bring in a rise in prices of yarn in general in Japan and the strong market for Japanese hosiery in India will thus be checked and an impetus given to the indigenous industry.
4. Strict vigilance should be kept on the correct length of yarn at the time of importation, withdrawing the present regulations, which restrict the testing of yarns.

Import Duty

I am not in favour of any imposition of an additional import duty in excess of 5 per cent. As I consider this will bring in a general rise in the Indian yarn market on fine as well as on coarser counts affecting the hand-loom industry. I do not support a higher duty on yarns of counts up to 40s. since in the coloured yarn trade in Bengal, turkey red and aged black shades cannot be satisfactorily produced and Lancashire has the monopoly of supply in these styles of yarns. A higher duty will, necessarily bring in a higher price, detrimental to the interest of the poor hand-loom weavers.

COTTON PIECE-GOODS

Over trading

The trade in general has become very dull. The reason is that the stock in the market is more than the demand. With the drop in cotton prices the United Kingdom could not reduce the cost of production in proportion to the purchasing power of the Indian consumers. A general tendency of reducing expenditure followed among the small dealers in the Burrabazar market at Calcutta. Small dealers who used to buy, say, 5 bales or less of dhoties from the Calcutta market paying a commission of 2½ per cent. to the importer, found that they could save this commission by importing directly. But the shippers could not book any order less than 10 bales at a time. They took the risk and opened import business. The consequence is that the amount of importation was made beyond the capacity of consumption with heavy stock in the market.

Overproduction

Indian mills also went on producing more than the country could possibly consume with the result that they had to dispose of their goods at a loss.

Thus, groaning under a heavy load of supply, the market became very dull and inactive. In addition the latest report of American crop with a reduction in prices of cotton upset the regular order of the trade.

Finer imported dhoties

The tendency of the Indian importers is to go in for finer counts of white yarn dhoties from England. This will be seen from the figures given below of the number of bales of

white yarn dhoties imported from England during a period of nine months from the 1st of January to the 30th of September.

1924	1925	1926
10,290	7,972	18,848

I am informed that some styles of these dhoties with a repp heading are washed and starched by the Indian dhobies and are sold in the market as hand woven goods. The defect found in the hand woven goods such as " reediness " is also copied in these goods. The get-up is also changed here. A mill was started in the suburbs of Calcutta with the object of producing cloths from finer imported counts of yarns and finishing them in the above way they tried to dispose of their productions in the hand woven market. But it is understood that they have since closed down.

Coarser imported dhoties

Particulars of the coarsest kind of grey shirting dhoties imported from England will be found in Sample No. 1, while Samples No. II to VII represent the running qualities of indigenous dhoties in the Calcutta market. It may safely be stated these latter qualities are not competed for by either England or Japan.

Japan

Sample No.	Reed and Pick	Dimensions	Market Value	Colour
			Rs. a. p.	
I ..	14×9 ..	25-39 Inches × 5-9 Yds.	1 0 0	7/16″ Plain.
II ..	....	Do. ..	1 1 3	Do. Dobby
III ..	....	Do. ..	1 0 3	Do. Plain.
IV ..	....	Do. ..	1 0 3	½″ Plain.
V ..	....	Do. ..	1 4 6	Do.
VI ..	....	Do. ..	1 3 6	Do.
VII ..	....	Do. ..	1 9 6	Do.

Samples	Market values of a few standard qualities inclusive of duty and trade discount are shewn below			Comparison of prices of English and Japanese dhoties	
	39/9 yds.	42/9½ yds.	40/44 10 yds.	42/44 10 yds.	44/10 yds.
A	½″ tape Rs. 2-1-0	....	11/16 col. Rs. 2-8-6	11/16 col. Rs. 2-10-0	....
B	½″ tape Rs. 2-1-0	....	½″ col. Rs. 2-8-0	½″ col. Rs. 2-9-0	....
C	....	½″ tape Rs. 3-6-0	....	....	11/16 col. Rs. 3-15-0
D	....	½″ tape Rs. 2-15-0	....	....	11/16 col. Rs. 3-8-0
E	....	....	....	11/16 col. Rs. 2-10-0	....
F	¾″ col. Rs. 2-5-0	....	....	....	¾″ col. Rs. 2-12-0
G	25/32 col. Rs. 2-8-6	....	....	....	25/32 col. Rs. 2 14-0
DI, H & I.	½″ col. Rs. 2-6-0	....	....	....	11/16 col. Rs. 2-14-0
T M K85 X.	½″ tape Rs. 2-6-3	....	....	....	11/16 col. Rs. 2-12-0

Note.—Prices quoted are per pair.

SAMPLE "A" Represents the standard quality of Ralli Bros. top brand 17×15 shirting dhoties.
SAMPLE "B" is a standard quality of shirting dhoties of Graham's below mark number 5000 17×15.
SAMPLE "C" is the famous Pistol Brand No. 5400, 21×17 Jaconet dhoti of Ralli Bros.
SAMPLE "D" is a Japanese quality No. 5411 which competes keenly with "C".
SAMPLES "DI" "H" & "I" are other qualities of Japanese dhoties which compete strongly with "A" and "B". These are made in imitation of Toyo Menkwa Kaisha's standard dhoties.
SAMPLE "X" No. 85 a sample of which is already before the Board.
SAMPLE "E" James Finlay's 7 pitchers brand No. 4246, 18×15.
SAMPLE "F" Madangopal Acharya's standard quality 18×15, No. 3535.
SAMPLE "G" Hanumandas Nursingdas's No. 81, quality 18×15.
SAMPLES "E" "F" & "G" are standard qualities made in imitation of Samples "A" and "B".

Standard qualities

The tendency of the consumers in Bengal is to patronise the standard qualities. Once a quality is established as a standard quality in the market, it is very difficult to oust it by an even superior quality of non-standard marks. Sample "G" furnishes a good example when compared with sample "A". According to the stock the prices are adjusted and a better price is always obtained for standard qualities when the stock is low at the expense of a greater demand.

Japan's standard qualities

Some of the Japanese qualities have been recognised as standard qualities in the market. I am informed that the first importation of TMK No. 85 was made in 1924 and it was sold at Rs. 3-3-0 per pair when Ralli's top brand (Sample "A") was quoted at Rs. 3-7-0 per pair, and No. 5411 (Sample "D") was imported in 1925 and sold at Rs. 3-10-0 against (Sample "C") Ralli's 5400 prevailing at Rs. 4-4-0 per pair then. This made a good market for Japan. The consumer forgot Ralli's standard make and made enquiries for Japanese dhoties (No. 85) instead. This created a good demand and during the period of 9 months from January to September last 11,780 bales of dhoties have been imported into Calcutta.

Japan's advantage

It is said that three Japanese firms, *viz.*, Japan Cotton Trading Company, Toyo Menkwa Kaisha and Gosho Kabushiki Kaisha who have branches in Calcutta entered into an arrangement with certain Japanese mills to buy up all their productions provided they did not deal with any other British Indian importers at the rate at which these firms were getting their supplies. Whatever quotation is obtained by the Indian dealers from these mills they have been found to be higher than those quoted for these Japanese firms. This is a decided advantage for the mills as well as for the importers.

Mode of packing

Japan sends her bales of dhoties 10 yards each to India by packing from 150 pairs to 200 pairs per bale and in case of range dhoties (6 to 9 yards) 240 pieces are packed. The United Kingdom packs her goods in bales of 400 to 450 pairs for 10 yards dhoties and 600 pairs for range dhoties (5 to 9 yards). James Taylor and one or two other English shippers have been trying to reduce the qualities in packing bales. These small quantities in a bale give Japan a decided advantage specially in the days of trade dullness.

Reason for competition

Sample	Dimension	Colour	Rate
			Rs. a. p.
7 ..	44×10	$\frac{1}{2}$"	2 11 6
8 ..	Do.	$\frac{1}{2}$"	2 8 0
9 ..	Do.	7/16	2 12 6
10 ..	Do.	Do.	2 6 0

These represent fairly the qualities of the Indian dhoties in the Calcutta market. Quality for quality Japan does not compete with India but she competes very strongly with

England. Japan exports an intermediate quality of cloth finer than the Indian goods and coarser than the English ones. Her soft finish, her nice get up and the good cover and texture of her cloths make them attractive to the Indian buyers. These qualities present a very strong contrast with the indigenous goods when sold side by side in the Indian market. A reference to sample No. 9, perhaps the best quality in the Calcutta market, with sample No. D1 will bear out my statement. A tendency is noticed among the Indian consumers to go in for a whiter and a purer cloth. Japan satisfies him more in this line than any one else. Table II (Appendix) shows the quotations of the principal qualities of dhoties prevailing in the Calcutta market on 6th October 1926.

Grey shirtings

The keenness of competition has been very acute here. Japan ousts the coarser kinds of goods imported from England affecting the trade of Bombay made goods as well. Japan produces a whiter finish and a purer kind in these styles. The appearance of a better covered texture on the Japanese goods presents an attraction to the Indian consumers. In the following table a collection of popular qualities of grey shirtings—indigenous, English and Japanese—is given for easy reference. Attempts have been made to import English goods copying Japanese styles, but this has not met with success for higher prices of Lancashire shirtings. Market rates are not perhaps a good guide to compare the depth of competition as these prices are governed by the demand. Once a demand for Japanese goods is created, the consumer does not compare the price or a texture with the other qualities supplied by England or made in India.

Samples marked	Brand	Reed and Pick	Dimensions	Weight	Market rate per piece	Country of manufacture
					Rs. a. p.	
J	9899 Fazulbhoy Mills ..	15×16	38″×38½Yds.	10 lbs. ..	11 4 0	India.
K	Waggon & Jewel (known in the market as motor stamp) ..	17×17	Do. ..	Do. ..	12 0 0	Japan.
L	91½ Mathuradas Mill ..	12×13	Do. ..	9½ lbs. ..	9 3 3	India.
M	93½ Fazulbhoy Mills ..	12×13	Do. ..	10 lbs. ..	10 7 6	India.
P	CCC ..	..	36″×40 ..	13 lbs. ..	11 0 0	Japan.
P1	CC	..	37″×38 ..	12½ lbs. ..	14 0 0	U. K.
Q	CCC Fazulbhoy Mills ..	..	36″×40 ..	13 lbs. ..	10 15 0	India.
11	4141 ..	..	44″×38 ..	6·2 lbs. ..	9 10 0	Japan.
12	5151 ..	..	Do. ..	7·25 lbs. ..	10 0 0	Japan.
13	1001 Sobhachand Dhonraj ..	..	Do. ..	....	9 0 0	U. K.
14	1329 ..	..	Do. ..	....	9 8 0	Japan.
15	9600 Sobhachand Dhonraj ..	..	Do. ..	....	11 0 0	U. K.
16	5750 ..	..	Do. ..	....	11 0 0	Japan.
17	403 ..	14½×18½	43¾×38 yds.	7·8 lbs. ..	10 8 0	Japan.
18	5900 Ralli Bros.	19×17	44″×38 yds.	7 lbs. 15 oz.	13 2 0	U. K.
19	Bow & Arrow ..	..	44″×46 yds.	9 lbs. ..	13 10 0	Japan.
20	731 ..	..	44″×38 yds.	....	11 0 0	Japan.
21	19 (Jardine Skinner) ..	..	36″×38 yds.	....	12 0 0	U. K.
22	Chouthmull Doolychandi quality 100 ..	14×12	37″×37½–38 yds.	6 lbs. 15 oz.	6 8 0	Do.
23	43100 Chain Sukh Gambhir Mall ..	19×17	44″×38 yds.	7 lbs. 4 oz..	11 12 0	Do.

Samples marked.	Brand	Reed and Pick	Dimensions	Weight	Market rate per piece	Country of manufacture
					Rs. a. p.	
T	18011 (Hazaricmull Heeralall—Standard number) ..	..	44″×38 yds.	....	13 0 0	U. K.
U	688 (Hazaricmull Heeralall—Standard number) ..	..	Do.	....	14 0 0	Japan.

All the above rates represent the wholsesale market values prevailing in Calcutta inclusive of the cash trade discount and 11 per cent. import duty. The nominal counts of reed and pick and the weights per piece are not recognised in the market in connection with the transactions made and therefore in all cases these details are not available. Where these have been shown they have been taken from the invoices sent by the shippers. Number 22 perhaps is a good representative of the lowest kind of grey shirtings imported into Calcutta.

Grey shirtings

Two qualities of popular sheetings of the Calcutta market are submitted.
Sample R, 36×40 yds. 15 lbs. 12×13 10·65 Yen. Rs. 14-4-0 per piece.
Sample S, 36×40 yds. 18 lbs. 14×14 24*s.* 5*d.* Rs. 17-8-0 per piece.
These are known in the market as AAA mark sheetings. Sample R is from Japan while S is from U. K. The difference in price is Rs. 3-4-0 per piece. This difference accounts for preference to Japan.

Striped shirtings

Much has been said about the competition in this line. Two samples marked "N" and "O" are enclosed for inspection.
N—No. 510 Carrimbhoy mills 27×30 yds. 7¼ lbs., Rs. 8-4-0 per piece.
O—No. 502 Japanese standard quality. 28×30 yds. 7¾ lbs. Rs. 9-2-0 per piece.
Both the qualities are well known in the Calcutta market but Japan is preferred mostly. In Bengal fairs or "hats" meet twice or three times a week in every district. A large business in ready made garments takes place in these fairs. At Chetla (about two miles from Calcutta) there is a special "hat" twice a week known as "*Jamma hat*" or "ready made garments hat." Ready made coats are in great demand among the poor agriculturist populations of Bengal. Japanese cloths are preferred by the makers of these garments. When two samples N and O are compared in this light, it will be seen that O is thicker than N and therefore O is considered more suitable for coating purposes. Here again an intermediate quality, thinner than a standard coating cloth and thicker than a standard shirting cloth, benefits Japan. Besides this style of Japanese shirting has replaced the consumption of imported and indigenous cotton ticks for the manufacture of mattresses and pillows on the strength of the intermediate quality only.

Cost of a piece of striped shirtings

I have been privileged to make a reference here to a confidential letter written to a big Indian importer by a Japanese manufacturer. I have been requested to refrain from mentioning the names of the parties. The calculation of the cost of a piece of striped shirting has been copied below from that letter :—

Quality No. 936 (another standard quality from Japan) 27″×30 yards 7¼ lbs. 20s yarn has been used.
The cost of 20s yarn quoted at 253 yen for a bale of 400 lbs. or 8,000 hanks.
135·3 hanks have been used in the piece at ·031625 Yen per hank=4·278 yen (the cost of yarns).

Total weaving, sizing, dyeing, and packing charges .. .. 1·50 yen.
Freight and insurance .. .. 0·15 „

Total .. 5·928 „ This is without taking the amount of profit into consideration.

The invoice quotation for Indian market was 5·95 yen per piece, C. I. F. That is ·022 yen per piece was kept for profit.

It will be seen how on a nominal profit Japan tries to capture the market.

Cotton flannelette

Sample V, 29″ × 24 yards, 4 annas 1½ pies per yard as market rate.

Sample W, 29″ × 48 yards, 5 annas per yard.

V represents perhaps the best quality of this style of goods made in Bombay while W is a representative sample of the cheapest quality of Japanese flannelette imported into Calcutta. Any comparison of the qaulities will be a waste of time and Japan is preferred here. Italy exports a lot of cotton flannelettes of different printed fancy designs but the quality cannot compete with Japan at the same price.

Remedy

As already suggested, the remedy lies in my opinion in creating a general rise in the yarn market in Japan by increasing the cost of raw materials. A scientific tariff imposing the import duty on the basis of the average price per square yard or on the weight per lb. may answer the purpose. The square yard basis or the weight basis would be fixed by taking the average value of a square yard or a lb. on the quantity and value of the total importations into Calcutta. This has been discussed later.

Import duty

I believe sufficient materials have been placed before the Board to draw their own conclusion as to the reason of this competition between Japan, India and the U. K. The Board, I am sure, will decide, whether a case for protection is made in favour of India from these materials. But if protection is granted, then I would venture to submit that it should not be granted at the expense of the consumers. No import duty, in my opinion, in excess of 11 per cent. should be imposed. Any high tariff will tend to increase the price of imported cloths generally. This artificial creation of a high price will raise the prices of Indian goods in sympathy. That being so, the poor agriculturists who form the major portion of consumers in coarser goods will be exploited. The creation of an inflated market value for imported goods will not necessarily bring in a change in the demand from imported to indigenous goods. But it may lead to a restriction of personal consumption in view of a rise in the price of imported goods. In that case there will be a loss in Government revenue without much benefit to the Indian mill owners.

Other suggested reliefs

I would invite the Board's attention to consider whether certain amount of relief acting as a protection could not be extended to the Indian manufacturers in the shape of better facilities being given in transit of their goods from the mills to the markets. The question of exemption of import duty on oils, accessories and stores used in the mills may also be considered. This would not involve any administrative difficulties. Each consignment imported for consumption in the mills may be covered by a certificate from competent authorities entitling them to enter India free of import duty.

SCIENTIFIC TARIFF

Present basis of assessment of import duty

The Collector of Customs, Calcutta, has been studying the question of introducing a scientific tariff as a basis of assessment for a long time owing to the administrative difficulties experienced in the present method of assessment of cotton piece-goods under section 30A of the Sea Customs Act.

This section directs the assessment on the wholesale market value. Wholesale market value has been defined as the highest value for the goods of like kind and quantity for wholesale lots. A wholesale lot is taken to be the unit of one bale.

Defects in the present method

In Calcutta, there, are about 200 importers. These importers in addition to their own standard marks and numbers import goods for dealers with their marks, numbers, brands and names stamped on the goods. There are about 1,000 such dealers in the Calcutta market. These registered marks and numbers establish the quality in the market without any regard to the technical details of manufacture such as reeds and picks, counts of yarn used and the type of finish given in the method of making. Ralli's

stop brand 44″ × 10″ a yard. 17″ × 15″ nominal counts 1⅛″ colour border being the standard quality fetches a price of Rs. 2-15-6 per pair. Graham's Bellow brand Number 5000 agrees with all the details used in Ralli's goods except the mark and quality number but is quoted in the market to-day at Rs. 2-12-6 per pair. Therefore the "like, kind and quality" as used in the Act is a misnomer and practically limit the assessment on the basis of the registered marks and numbers. This is the case with standard qualities, but difficulties are innummerable with regard to non-standard qualities giving rise to a lot of dispute between the appraisers and the importers in fixing the fair values for assessment purposes.

The question of wholesale lot gives far less satisfaction. For instance if a man imports a quality and gets Rs. 5 per pair for a pair of dhooties when one bale is transacted, only, he cannot possibly get that quotation for quantities in excess of one bale. This creates a lot of confusion also.

Mr. Hardy's scheme

Mr. Hardy, the present Collector of Customs, had a scheme prepared to solve these difficulties. The scheme was based on comparing the values of importations of certain classes of piecegoods that came to Calcutta in the financial year 1925-26. His proposals were more for stimulating discussions and inviting counter-suggestions than for actual acceptance as a basis of assessment. Mr. Hardy recommended the average value per square yard to be taken as the basis of assessment in dhoties while in other grey goods such as shirtings, etc., he suggested to take the average value per lb. This scheme I understand has been forwarded to the Board for consideration.

Criticisms offered to the scheme

It has been pointed out that if the basis of assessment on the average per square yard is accepted for dhoties, the coarser qualities of the dhoties will be affected since in dhoties a wide range of nominal counts of reed and pick from 14 × 9 to 20 × 17 is imported into Calcutta. Quality for quality, the price between these counts, differs by about Re. 1 per pair, besides, this difference, again, will vary from annas 6 to Re. 1 per pair, according to the nature of the borders, that are used, such as plain borders, tape borders, dobby borders and repp borders.

In goods where the average value will be fixed per weight unit, the coarser kinds being heavier will be affected adversely.

Reply to the criticisms

The rough scheme presented by Mr. Hardy can be put on a satisfactory basis by a series of experiments carried out in the Custom Houses. If a limit is fixed on the weight on the average values and on the quantities imported by grouping them into a few sub-classes this objection will satisfactorily be disposed off. In dhoties also sub-classes according to the range of borders, if introduced, will solve the difficulties raised. But if it is the intention of the Board to protect the coarser kinds of Indian goods, they must necessarily put an embargo on the coarser classes of imported goods. Mr. Hardy's scheme will afford an opportunity of doing so without creating a storm in the market as well as without raising the prices on the coarser qualities of imported goods by imposing an additional rate of import duty as suggested by the Indian mill owners.

Calculations for fixing approximate bazar rates

It will be interesting to note here a few methods of calculations that guide the importers in fixing the approximate values of the goods on the basis of reed, pick borders and dimensions:—

Borders.—An allowance of as. 4 per inch of colour is made on goods (dhotie) with plain colour borders, *i.e.*, if a 16 × 13, 44″ × 10 yards 1⅛″ colour is quoted at Rs. 2-10-0 per pair the market value for the same quality but with ¾ in colour (*i.e.* ⅜th of an inch less than the one quoted) would be Rs. 2-8-6 per pair.

Reed and Pick.—Here the calculation is made at 1 anna per thread more or less according to the nominal counts of reed and pick. For instance if one cloth 16 × 12, 1¼ inch dobby and run is quoted at Rs. 1-13-3 for range dhoties 25/39″ × 5/9 yards, it would be Re. 1-14-3 for a dhoti of similar particulars except where nominal counts of reed and pick are 16 × 13.

Dimensions.—Approximately 1 anna per inch in width is added or subtracted on the difference of width. The calculations on the length is made on the average value per yard of cloth *plus* the allowance for the width as shown above. For instance for a pair of dhoties 2″ run and colour 31/35/39″ × 7/8/9 yards is quoted at Rs. 2 per

pair, the market value of a dhoti with the same particulars but 44″ × 10 yards in dimension is calculated as follows :—Average dimensions being 35″ × 8 yards at Rs. 2 for 10 yards at 4 annas per yard with the same width will be Rs. 2-8 per pair. But the width is 9″ more (being 44″) 1 anna per inch or 9 annas is added. The approximate quotation therefore would be Rs. 3-1-0 per pair.

The above calculations hold good only for approximate prices to be fixed. The question of demand and the question of stock always dominate as the guiding factors in the market. It may be that a dhoti with 11/16″ colour is quoted at a lower rate than the tape borders, if the demand for the former is dull or if there is a huge stock in the market.

Alternative suggestions

Suggestions have been made to base the tariff on the elemental number of threads per ¼″ square and the counts of yarn used in the fabric. I am afraid this will strongly be resented in the Calcutta market.

Shyness of shippers

A fair impression will be gained from the extract of a letter from Messrs. Geo. & R. Dewhurst, Ltd., one of the biggest shippers in Manchester to one of their constituents at Calcutta when the Collector of Customs, Calcutta, introduced the system of showing the nominal counts of reed and pick on the bills of entry and invoices for audit purposes :—

Customs requirements

" With reference to the various details required by the Calcutta Authorities on all future invoices, we are writing to point out that in giving the nominal count, *i.e.*, the number of threads to the quarter inch, our counts as given will be purely nominal, and will in no wise form the basis of sale.

Our basis of sale will be as heretofore, simply a pattern, or previous shipment, upon which the order is placed, and we shall not hold ourselves responsible if the goods do not count the same as the nominal count given on the invoices."

This is further supported by a letter from the Secretary, Punjab Chamber of Commerce, Delhi, in connection with the above to the Collector of Customs, Calcutta.

Description of piece-goods on bills of entry

" I am directed to inform you that the attention of my Committee has been drawn by several of the leading piece-goods importers of this city, to a circular, a copy of which is enclosed. It purports to have been issued by your office but does not bear any domicile, date or official number."

" I am further directed to state that the nominal count, *i.e.*, the number of threads of warp and weft to the quarter inch, is not usually revealed by manufacturers to their correspondents, and it will be impossible for many Importers to supply this detail on their bills of entry."

In this connection I take the privilege of quoting from the Cotton Year Book 1925 laying down the practice in the Lancashire Cotton Trade :—

" *Reed and pick.*—It is best to use counters giving the number of picks per inch, as the fraction of a pick is more readily detected than when quarter-inch counters are used. The terms ' actual ' and ' nominal ' are also used here with practically the same meaning as in the case of the width of the cloth. Under ' nominal ' conditions the number of picks may be 2, 3 or 4 below the stated number. Thus a cloth described as 19 × 22 ' full or actual ' should contain 76 ends and 88 picks per inch, but if described as nominal it may have 74, 73 or 72 ends per inch and 86, 85 or 84 picks per inch. If 74 × 86 it would be termed ' 2 down.' If 73 × 85 ' 3 down ' and so on."

Actual experience in the Calcutta Custom House

A standard quality No. 18000 mull dhotie was known in the market as having 17 × 14 reed and pick per quarter inch but when the price of cloth was ruling very high it was found that the quality was reduced by 1 thread down each way. Another quality of white yarn dhotie No. 47 Victoria Mills, was quoted last year as 19 × 16 nominal counts, but this has been changed to 19 × 17 nominal without increasing a thread, when a demand was created.

Importation of dhoties with nominal counts

Shirting Dhoties.—From the examination of the invoices in the Customs House at Calcutta the following nominal counts have been noted :—

14 × 9, 14 × 11, 15 × 11, 15 × 12, 16 × 10½, 16 × 11, 16 × 12, 16 × 13, 17 × 14, 17 × 15, 18 × 15, 18 × 16, 18 × 18, 19 × 16, 19 × 16½, 19 × 17, 19 × 17½, 19 × 19, 20 × 17, 20 × 18, 21 × 17, 22 × 18,

Jaconet dhoties

15 × 11, 15 × 12, 15 × 13, 16 × 11, 16 × 13, 17 × 14, 17 × 15, 18 × 15, 18 × 16, 19 × 16 to 21 × 17 have been noticed.

Grey mull and white yarn dhoties

From 16 × 13 to 22 × 18 have been noticed here.

Administrative difficulties

It will be seen from the actual trade practice and from the nominal counts quoted for the goods imported into Calcutta that any basis on intermediate or average nominal counts will not obviate the difficulties. As nominal counts are changed by using one thread more or less keeping the standard mark constant as allowed by the trade, the registering of occasional checks of different qualities will not serve any useful purpose.

Austrian tariff

A reference is made to the Austrian tariff where the nominal counts with the actual counts of yarn used in the cloth play a very active part in the basis of assessment. It is not understood how the variation in the nominal counts as allowed by the trade in Lancashire and in Calcutta as referred above is overcome.

Counts of yarn used

Few importers and shippers will be inclined to show the counts of the yarn used. They consider this detrimental to the trade as these are reckoned as trade secrets.

Conditions prevailing in the market

In Calcutta no buyer or seller, is guided by nominal counts of reed and pick, actual counts of yarns used or weight of the piece of cloth. The texture and cover established by feeling the cloth form the sole basis of transaction. The sellers go by the shipment samples sent here from abroad while the buyers decide by the appearance of the actual cloth. In these circumstances the nominal counts will only create trouble as the public are not educated to appreciate the technical details.

Conclusion

Experiments may be made on the basis of Mr. Hardy's recommendations coupled with the tariff valuations in force at Iraq where sub-classes have been recommended and tariff values have been fixed on the basis of weight per square yard. If this is not accepted the best method would be to fix a tariff value on the weight of piece-goods. This would be simple and will be easily understood in the trade. The conditions in India are different from those prevailing in other countries and any transplantation of a foreign tariff, however scientific, will only result in a good deal of confusion and protests from the trade.

TABLE I

COTTON YARN RATES

Yarn No.	Keshoram Mill	Dunbar	Bowreah	New ring	Bharat Abbhud-hoy	Bengal Laxmi
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
10½	2 12 6	2 12 0	2 12 0	2 12 0	2 10 6	2 10 0
11	2 13 0	2 12 6	2 13 0	2 13 0	2 11 6	..
11½	2 13 0	2 13 0	2 13 0	..	2 11 9	..
12½	2 14 0	2 14 0	2 14 0	2 13 0	2 12 6	..
14½	3 0 0	3 0 6	3 0 0	3 0 0	2 14 6	2 14 0
16½	3 2 0	3 2 3	..	3 2 9	3 1 0	3 0 0
20	3 6 0	..	..	..	..	..
20½	3 7 6	..	3 6 0	..	..	..

	Radha Kristo	Rajnangao	Madura Mills	Japan
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
10½ ..	2 12 0	2 14 6	....	....
11 ..	2 12 6	....	....	....
11½ ..	2 13 0	2 15 6	....	....
12½ ..	2 14 0	3 0 3	....	....
14½ ..	3 0 0	3 2 0	....	....
16½ ..	3 2 0	....	....	....
20 ..	3 7 0	3 9 0	3 11 6	3 15 0
22 ..	3 9 0	3 12 6	....	....
24 ..	....	....	3 14 0	....
26 ..	....	....	4 1 0	....
28 ..	....	....	4 6 0	....
20 ..	....	....	4 10 0	....
2 ..	....	....	5 2 0	5 4 0
0 Any ticket	....	....	....	5 12 0
0 Small fish	....	....	....	6 10 0
0 Five Stars	....	....	....	5 8 0

All the above quotations are given on bundles of 5 lbs. each.

TABLE II

Principal qualities and pieces of cotton dhoties prevalent in the Calcutta market

Name of Mills	Quality No.	Length	Border	Price
				Rs. a. p.
Indian Mills	245	5 yds. ..	½ Inch. ..	0 10 0
	276	6 ,, ..	½ ,, ..	0 15 0
	317	7 ,, ..	½ ,, ..	1 4 0
	1299	8 ,, ..	½ ,, ..	1 8 0
	1499	9 ,,	½ ,,	1 12 0
	1711	9 ,, ..	⅝ ,, ..	1 14 0
	911	9 ,, ..	1⅛ ,, ..	2 2 0
	1113	9½ ,, ..	⅛ ,, ..	2 2 6
	1012	9½ ,, ..	1⅛ ,, ..	2 5 0
	2699	10 ,,	⅛ Colour ..	2 6 6
	2099	10 ,, ..	1⅛ Inch. ..	2 9 0
	2199	10 ,, ..	1⅛ ,, ..	2 11 0
	31½ × 31½ ..	10 ,, ..	2 ,, ..	2 12 0
	235—389	5 to 9 yds. ..	½ ,, ..	1 3 6
Kohinoor Mills	1111—1115	5 to 8 yds. ..	½ ,, ..	1 0 9
	2117	9 yds. ..	⅛ ,, ..	2 1 6
	1122	9 ,, ..	1⅛ ,, ..	2 2 6
	1130	9 ,, ..	2 ,, ..	2 8 0
	2118	9½ ,, ..	⅛ ,, ..	2 7 3
	1123	9½ ,, ..	1⅛ ,, ..	2 8 0
	2120	10 ,, ..	⅛ ,, ..	2 10 6
	2121	10 ,, ..	⅛ ,, ..	2 12 6
	1125	10 ,, ..	1⅛ ,, ..	2 12 0
	3309	10 ,, ..	1⅛ ,, ..	3 1 0
	1113	5 to 9 yds. ..	½ ,, ..	1 6 6
	1211	5 to 9 yds. ..	½ ,, Dobby	1 7 6
Bengal Laxmi	2095	10 yds. ..	½ Inch ..	2 12 0
	1165	10 ,, ..	½ Tape ..	2 11 0
	895	10 ,, ..	1⅛ Colour ..	2 12 0
	995	10 ,, ..	1⅛ Inch ..	2 15 6
	195	10 ,, ..	2 ,, ..	3 6 0
	1170	9½ ,, ..	⅛ Colour ..	2 6 0
	2399	9 ,, ..	⅛ ,, ..	2 2 0
	1255—1399	5 to 9 yds. ..	½ Inch ..	1 5 0
Shonock Mills	2581	10 yds. ..	⅛ Colour ..	3 0 0
	2561	10 ,, ..	1⅛ ,, ..	3 3 0
	2133	10 ,, ..	⅛ ,, ..	2 13 0
	2132	10 ,, ..	⅛ ,, ..	2 15 0
	2544	9½ ,, ..	1⅛ ,, ..	2 13 0
	2542	9½ ,, ..	⅛ ,, ..	2 11 0
	2533—34	9 ,, ..	⅛ ,, ..	2 6 0
	3721	5 to 9 yds. ..	½ Inch Colour	1 9 6
	2721	5 to 9 yds. ..	½ ,, Dobby	1 12 0

Witness No. 15

Mr. T. A. STEWART, I.C.S., COLLECTOR OF CUSTOMS, MADRAS

Oral Evidence recorded at Madras on the 22nd September 1926

President.—There is really only one point on which you will probably feel able to help us, and that is the question of specific *versus ad valorem* duties; but your views on any other points in the questionnaire on which you care to give us an opinion would of course be welcome.

A. There is no other question on which I wish to offer my opinion.

Q. You perhaps know that one of our greatest difficulties is to find out how far Japanese imports of piece-goods into this country compete with the production of the Indian mills, as also the imports from other countries, especially the United Kingdom. It is a question largely of the counts of yarn from which they are manufactured and the present classification does not seem to help us at all.

A. It is most difficult to get a correlation between the trade classification of piece-goods and their values which forms a suitable basis for the formation of a scientific tariff. There has been contemporaneous with this enquiry an attempt started by the Collector of Customs, Calcutta, to classify piece-goods. I am sure that he regards his preliminary suggestions as being no more than "flying a kite" in order to get the opinion of other Collectors on the subject. The preliminary classification which he has given is too simple a one. It involves the grouping together of piece-goods covering large variations in price and, as far as we can see at present, on this classification there can be no equitable mean duty fixed for any particular group. I am not inclined to regard the tentative suggestion of the Collector of Customs, Calcutta, as being the last word on the subject, nor do I think that it is our business merely to criticize it destructively; if we can offer any constructive criticism towards the widening and the greater elaboration of his classification we should do so. Of course these are limits to that process. One ultimately would produce an unwieldy tariff and there is the real limit to a classification based on the relation between trade descriptions and *ad valorem* prices.

Q. Does not the difficulty with regard to the classification of piece-goods coming into India lie there? We have examined various scientific tariffs, the Austrian and the Italian, for example, and we find that the number of classes coming under their tariff are much smaller than the number coming into India.

A. I have not seen those tariffs but I can conceive that those countries are consuming a much smaller variety of materials than we are consuming in India where every port has a different range and variety. If we go to Rangoon, for example, we find a different type of piece-goods imported into Burma from what are imported here and probably in Culcutta also there are like differences.

Q. It was said in Bombay that it would probably be very much easier to frame a scientific tariff for certain classes of goods than for certain others, *e.g.*, for greys rather than for bleached. What are your views about that?

A. I should agree with you there because you get many more varieties of bleached goods, for example, embroideries, fancy stripes, etc., which I think even according to an ideal classification we might have to leave out and treat as exceptions. Such varieties do not form part of our main staple imports.

Q. From the Customs point of view, would there be any objection to make a beginning with grey goods?

A. Not at all. It would be an interesting experiment from our point of view to try to work a limited portion of the tariff instead of taking the whole of it.

Q. I presume that you agree that this is a matter which can only be worked out by an expert in piece-goods if the results are in any way to prove satisfactory.

A. If you are going to take into consideration any elements other than trade classifications, that is the general descriptive terms that are applied for our statistical purposes, if you are going to take into consideration the actual physical characteristics like count, pick and reed, then it is a matter where an expert will be almost essential unless of course it is going to be a very wide classification having gaps from say 30s to 40s and 40s to 60s.

Q. If we are to discover the exact range of the competition of the imported goods it seems absolutely necessary that the classification should be based on counts, the number of threads per square inch, etc.

A. As far as the determination of the actual number of threads to the square inch in any particular goods is concerned that is very much easier for us than the determination of the count of the yarn employed. We have a microscopic scale with which it is a

matter of a few seconds to determine pick and reed. But one could look at piece-goods for several years before he could say with any certainty whether the count of yarn was say, 32s or 36s. That is where an expert would be particularly useful.

Q. Do you keep any record of piece-goods by counts ? Have you any statistics on the subject ?

A. I have no statistics but I can give you the results of a qualitative investigation by which I mean the sending out of appraisers to investigate what are the counts and the nature of the Indian produced goods that are mostly being sold in our markets and what are counts and pick and reed of the competing foreign articles.

Q. If you could give us any information on that point, it would be extremely useful.

A. I had an investigation made in the last two or three days by my Head Appraiser and my piece-goods appraiser. As you will see from this list of imports (list handed to President) there are really only two classes of piece-goods, namely, dhoties and shirtings which are to any great extent imported into Madras. What my Appraisers did was to go into the bazaar, get hold of different Indian shirtings and also samples of the British and Japanese shirtings which competed with them and made enquiries as to the composition of these and similar goods. The Japanese piece-goods come here by rail from other ports like Bombay or Calcutta. There is no direct import. The only reason I can imagine for that fact is that there is no direct Japanese steamship line running to Madras.

Q. All the Japanese imports into Madras including piece-goods come by rail ?

A. I am informed that there is a very considerable amount of Japanese shirtings coming in by rail. The Indian mill is selling from Re. 1 to Re. 1-2-0 per lb. cloth made from yarns in the neighbourhood of 20s. Corresponding Japanese quality sells at Rs. 1-8-0 per lb., the counts being 30s to 40s and pick and reed from 15-15 to 18-18. The English quality, as regards count, pick and reed is almost identical with the Japanese quality and sells for just a fraction less than the Japanese. That is as regards grey shirtings. As regards striped shirtings, both Indian and Japanese use 30s, the Jap quality is selling for about one anna per lb. more. There is no effective competition by English qualities which are 40s and over; they are superior qualities which do not really compete with the Indian and Japanese cloth being though not luxury qualities what may be called well-to-do qualities, and supplying a different demand. The other article in which there is considerable trade is mulls. There is no Indian production of these mulls on the market but one may regard them as competing with shirtings. Shirtings are often sold as mulls and mulls as shirtings. The Japanese are 40s as against English 60s and are 4 annas a lb. cheaper running to Rs. 1-8-0 as against Rs. 1-12-0 for the English quality. Curiously enough, there is a preference in the bazaar for the Japanese quality because of certain smoothness and finish which attracts buyers. Of the list given by the Bombay millowners, these are the only varieties which sell largely in our bazaar.

Q. What is your impression from these enquiries ? Is it that the Japanese competition is more with the British goods than with the Indian ?

A. It is with both.

Q. Or would it be that the Japanese goods are filling up a gap between the Indian and the British goods and are overlapping them at both ends ?

A. The Japanese goods are on the whole providing a better quality than the Indian goods but are also competing with Lancashire. In the case of striped shirtings also, there is considerable competition. Japanese trade is not co-extensive with the English trade in that line.

Q. The Japanese goods are of a superior quality to the Indian goods ?

A. Yes, and the price is only one anna a lb. more. They are made from the same yarn as Indian shirtings, *viz.*, 30s.

Q. We have had a good many samples tested and have found that the Japanese goods are mostly from 30s to 40s.

A. Yes, in ordinary grey shirtings they are from 30s to 40s. The Indian is 20s to 24s.

Q. That is for grey shirtings ?

A. Yes, but as regards striped shirtings both Indian and Japanese are 30s. Further with regard to dhotis of which there is a large import, there are practically no Indian mill dhoties on the market here. A few are sold very cheaply to coolies and so on. But the English product holds the field here at present.

Q. There is no import of Japanese dhoties ?

A. No.

Q. Could you let us have your general views as to the suitability of some such tariff as has been adopted for Austria. Here is the Austrian tariff.

A. I do not know what this No. 21 in the Austrian tariff corresponds to in our classification. Does it correspond to count ?

Q. It is the count of yarn.

A. In considering this matter, it has been a problem to me as to how one could combine pick and reed on one hand and count of yarn on the other. The only relation, as far as I can make out, is that if weaving is carried out as closely as possible, there must be a maximum density for each count. It appears to be so in the Austrian tariff.

Raja Hari Kishan Kaul.—Do you mean to say that the count (*e.g.*, 21s), could form the basis without taking the elemental threads into account ?

A. No, I do not think so. But I do not quite understand the relation between the count No. 21 and the number of threads 38. What is the classification of count 21 if the number of threads is more than 38 ?

President.—I see your point ; but if you look down the tariff, you will see that they use 38 threads or less upto 50s for a bit and that then there is a class for yarn of 50s and under containing *more* than 38 threads, so that what would happen would be that piece-goods made from yarn of 50s and under containing more than 38 threads, even if the yarn were between 20s and 30s would come under this group.

A. Yes, it would cover everything containing more than 38 threads.

Q. So that, if there is to be a tariff on the Austrian model you would want a piece-goods expert ?

A. Yes. That is the trouble. We can determine the threads in a particular area, but the determination of the count would certainly be a very difficult thing to do and we cannot determine the counts without the assistance of an expert.

Q. The next point is whether you can demand from the importers a detailed description of the goods ?

A. We can do that though I believe that recently, within the last two or three years for purposes not connected with this enquiry, such attempts were made and Manchester was very reluctant to give such descriptions on the ground of extra bother and trouble.

Q. That was in Calcutta, was it not ?

A. Yes. On the other hand, one is always face to face with the proposition that there may be misdescription. That is the reason why assessment under Section 30 (*b*) *i.e.*, roughly speaking, on the invoice values, has been abandoned. I think it was solely because of the difficulty in deciding whether invoices were genuine. There are certain countries the invoices from which are doubtful. If invoices really were correct, then I do not think we should need to worry ourselves about a new tariff. If an invoice were to be regarded as unimpeachable evidence of the actual value, our troubles as assessing officers would disappear at once.

Q. And so as regards value at present you are in exactly the same position as you would be in regard to the count if you had to depend on the invoice description of it ?

A. I see no reason why, if they change the values, they should not change the counts.

Q. The counts could, of course, be changed perfectly honestly. For instance, if you have a deciding line at 40s, they might put in 38s or 42s as suited the tariff ?

A. Yes, they could manufacture according to the tariff.

Q. That is the difficulty. How would you get over it ?

A. I think it would be better to push the tariff division up. Any how, we cannot get over that. If they manufacture 42s instead of 40s, they bring it outside the scope of the tariff.

Mr. Majmudar.—In the case of the finer cloth, the cloth is more costly and as a consequence the duty will have to be fixed at a higher rate than in the case of the medium cloth or the coarse cloth.

A. Surely not at a higher rate. Assuming, to start with, that there is no differentiation of rate of duty and that they are all assessable at the same rate, then it does not matter whether it is 38s or 42s.

Q. But if there is a specific duty ?

A. Then certainly the tendency would be manufacture down. Then people who are manufacturing, 42s would say, "Well let us manufacture 38s and we shall come under a lower specific duty ".

President.—It is quite obvious that you want an expert in piece-goods.

Mr. Majmudar.—If you know the elementary threads, you will be able to grade the goods as medium or fine and then the duty can be fixed on them according to those grades. The finer quality will have a certain rate, the medium a certain rate and the coarse another rate.

A. Then surely this assumes, what would seem to be *prima facie* true, that all fabrics which are constructed of a certain type of yarn and of a certain number of threads to the quare inch will be of the same value, whatever the particular variety is. If those

physical characteristics are the determinant of its value, then your classification has no flaw in it; in fact what one has to look for is the direct correspondence between the value and the physical characteristics in order to have a correct classification.

Q. It cannot be exact but there may be a slight variation.

A. I do not know whether it is exact or not, but if you take a variation of say Rs. 12 to Rs. 14 and fix the valuation at Rs. 13—I am taking the present duty of 11 per cent.—per piece of say 20 yards it is going to work out at about a pie a yard when it finally comes to retailing. That difference of a rupee is really infinitesimal when it comes to the man buying his dhoti. I do not think you will be doing very much harm by the loading of the tariff to that extent against the cheaper in favour of the more expensive. There are limits beyond which its effects would be inequitable to the consumer.

Q. As far as the classification is concerned, there is nothing to prevent you from demanding details as to quality.

A. All that we are entitled to do is to ask for invoices. I do not think we can dictate the exact details. It is perfectly true that we could demand details on the bill of entry but I doubt whether as a matter of practical politics, it would be feasible.

President.—But if you have a specific rate based on counts you would have to demand a description ?

A. Ultimately the importer would have to do it. Otherwise there would come a stage when he could not get his goods cleared. That would of course be attended with a large amount of dissatisfaction and we cannot get at the cause of dissatisfaction, *i.e.*, the manufacturer. The importer might be willing to do it, but it is the manufacturers who refuse and should be penalised. Importers are between the upper and the nether millstones.

Q. Then the point is how can you have a specific tariff unless you demand the description ?

A. We require the particulars certainly, but the question is whether they have to be elaborated in the invoices. They can say now " Elephant brand ", it is a well-known brand and we know " Elephant brand " means 40s and 15-15 and the goods coming time after time as " Elephant brand " need only be invoiced as such. I do not know whether the suppliers would be prepared on each occasion to give all the details in their invoices. I have found that they are as reluctant to add one line to their invoices as to pay an extra rupee. I cannot myself see that there is any great hardship involved in it, but it does happen. I do not think there can be any question of trade secrets, because a rival has simply to go out and buy in the market and then he will get full details by analysis.

Q. Could you work the specific tariff without those particulars ? That is the point I want to get at.

A. If the particulars were not given, we would have to determine them and that of course would be a practical difficulty. We could not conduct an analysis of every bit of piece-goods that come in, any more than we can examine cent. per cent. of the goods that are coming in at present. We could merely have some sort of test carried out for every consignment at least once in two or three months, to verify whether a particular quality is being maintained at its original specification.

Q. How could you have that test carried out ? Would you apply to the local mills or would you have a Government agency ?

A. In general we would only recognise a Government test. For example, we carry out tests with respect to alcoholic liquors; and now we have started testing steel. Artificial silk we send to the Chemical Examiner. In all such cases we send to a Government institution for test.

Q. Then a specific tariff would mean the establishment of a Government test house ?

A. Yes, I think it would be highly likely. Certainly there will be disputes as to whether a particular yarn belongs to a certain count or does not; and in case our appraisers' decision is questioned, we can take refuge in the opinion of a technical expert.

Q. There seems no other way of imposing duty on the basis of the qualities of cloth? The point is, as you know, that protection has been asked for against yarn of counts below 40s and cloth manufactured out of such yarn. There would seem no way of granting such a protection except by a specific tariff.

A. There must be a separation of these particular qualities from the others.

Q. The only way of granting protection under the present tariff is by a general increase of duty. Is it so ?

A. Yes, by raising the duty. As it stands it is 11 per cent. It must be raised to something higher.

Q. I want to get your idea clearly. Do you consider that in the present conditions, apart from the question of protection, a specific tariff is desirable ?

A. Apart from protection, we are all very much in favour of a specific tariff—our trouble in assessing piece-goods is that it is very difficult to determine exactly what the market value is at any particular time. It is not very often that a dispute occurs ; an important dispute may occur once in one or two years, but it is very important when it does. Again from the merchants' point of view, they do not know from one day to another on which value they are going to be assessed, especially if they are doing forward business. The price of a piece of cloth to-day may be Rs. 15 and they may make their duty calculations on that ; but four months afterwards when they get delivery, the price may have risen to Rs. 16-8-0. So from their point of view also it is very desirable that there should be some sort of certainty in assessment, and that is what a tariff valuation or specific duty would effect.

Mr. Majmudar.—Have you a Chemical Examiner attached to the Customs Office ?

A. We have no examiner in the Custom House itself. But there is a laboratory which is concerned entirely with liquors and spirits and which is run by the Excise Department. The other articles we want to test we send to the Chemical Examiner here. For example, we test matches to find out whether there is any white phosphorus ; we test also artificial silks. That is done by the Chemical Examiner.

Q. In case you had to test cloth could you send it to the Chemical Examiner ?

A. No. He would not be able to tell us the kind of cloth. There is no laboratory in existence at the present moment for that purpose. We have never had to do it so far. We only determine the counts in the case of yarn, and for that we have the wrap-reel machine for testing counts. But we cannot put on the wrap-reel a long piece of yarn extracted from a fabric.

Annexure A

(1) While it is true that *prima facie* a classification based on physical characteristics is likely to give a close correspondence between those characteristics and the value of the fabric, it has yet to be shown that for India we can devise a series of class groups within each of which there will be negligible (from the point of view of tax incidence) value variation, without increasing the number of class groups to an impractical extent. For example the Austrian group of yarn No. 21 containing 38 or less threads to the sq. cm. might for Indian imports produce as great value divergencies as Mr. Hardy's trade description classification.

(2) From the purely administrative point of view two objections may be urged to the Austrian type of classification.

(*a*) Any system which involves a reference to outside authorities such as Chemical Examiners and Technical Experts increases delay in clearance of goods. This delay can only partly be relieved by the system of provisional assessment which in addition to being cumbrous is, strictly speaking, illegal.

(*b*) Such a system is not easily comprehensible to the average dealer who is more concerned with his marks and qualities than with the technical details of the structure of the fabric.

(3) It is true that section 86 of the Sea Customs Act empowers the Collector of Customs to demand what details he chooses from the importer. These details are on the Bill of Entry and are subscribed to by the importer. This is a very different matter to a declaration by manufacturers on an invoice. Of course I do not regard the difficulty of obtaining details in invoices as anything like insuperable, but belonging as I do to an order of men which is already liable, in the words of Adam Smith to be accused of "insolence and corruption" I do not wish to court further obloquy.

Witness No. 16

THE DIRECTOR OF INFORMATION AND LABOUR, GOVERNMENT OF BOMBAY

Written Statement dated 28th October 1926

I.—Absenteeism in the cotton industry

Statistics relating to absenteeism have been collected by the Labour Office since May 1922. The number of mills now sending in monthly returns is, on an average in Bombay City 73, Ahmedabad 30, Sholapur 5 and Broach 3. The percentage of mills sending returns to the number of mills working in these four centres being 91 for Bombay City, 53 for Ahmedabad, 83 for Sholapur and 100 for Broach. A copy of the schedule is attached. The Statistics are compiled from the detailed figures given on the back of the schedule which show the actual number of workers on the pay roll for each day of the month and the actual number of absentees each day. (Annexure A.)

In connexion with these statistics one or two points should be noted. It is the usual practice for weavers to provide their own substitutes, *i.e.*, a weaver who proposes to be absent finds a man to take his place and that man is accepted by the mill and is put to work on the looms of the absentee weaver. The latter is accordingly marked present. The earnings of the badli are credited by the mill to the regular worker who himself pays the substitute. The effect of this custom on the absentee statistics is to show a lower percentage of absenteeism than in fact obtains. A few mills do not follow this system but these are decidedly in the minority. The "actual number on the pay roll" is usually a varying quantity. The system in all mills is that there is a standard muster roll compiled department by department and representing the maximum number of men required to work the mill, *i.e.*, to keep all the machinery in operation. It is not always necessary to engage the full number of hands, and the number of workers in each department may vary from day to day below the figure of the standard muster roll. The usual practice is for the places of absentee regular workers to be filled up from the floating labour force which, in the present state of the industry, is always to be found in Bombay City. The jobbers have no difficulty in making up the numbers in their departments from the seekers after employment who collect at the mill gates every morning. Some mills allow for spare hands in their muster roll, except in the weaving department. That is to say, in each department of the mill there are a certain number of spare hands on the regular working staff. The percentage of spare hands in each department is not necessarily the same but, spread over the whole of the mill, may be as high as 10 per cent. The object of this is to ensure, as far as possible, that the place of absentees is taken by selected men who are familiar with the working conditions of the mill which employs them. These spare men are borne on the pay roll and receive their wages even if the full complement of regular workers in their department is present. The figures for absenteeism, however, would indicate that it is not often that a mill has to pay these extra hands because the absenteeism generally exceeds 10 per cent. and it may be assumed that the mills which adopt this system have calculated the number of spare hands likely to be required in each department as the result of their experience as to the numbers likely to be absent during any particular period. The effect of this system, which, as I have said, is far from general, is that on occasions the number of men on the pay roll for a particular day is in excess of the labour force necessary for the efficient working of the mill.

An examination of the statistics shows that on the day following pay day there is a substantial increase in absenteeism and the same tendency is to be observed after all holidays. Conversely, absenteeism tends to be lowest on pay day and the two or three days previous to it.

The great disparity in the percentage absenteeism between the three principal centres of the cotton textile industry in the Bombay Presidency, as shown in the chart published in the *Labour Gazette* for September, seems to call for some explanation. Ahmedabad shows a very low percentage compared with Bombay and Sholapur. This low rate of absenteeism is persistent throughout the year and does not show the wide variations, largely seasonal, which are a feature of the absenteeism figures for the other two centres. The absence of seasonal fluctuations has been reported to the Labour Office as probably due to the fact that the mill operatives in Ahmedabad are mostly drawn from an industrial population settled in the city for generations. The Mahomedan workers in particular are generally entirely landless and are therefore not accustomed to leave their work to attend to their lands at certain seasons of the year. The Patils, another large class of workers, appear to have a custom whereby, where there are two brothers, one looks after the ancestral land and the other works in the mill alternately. Both these factors largely reduce seasonal absenteeism. It seems to be true also that labourers in Ahmedabad are

generally more regular in their attendance. These facts however cannot explain the whole of the difference and it seems probable that a further explanation is to be found in the incorrect filling in of the returns. Enquiries recently made suggest that a number of mills do not understand the form and are giving the number of vacancies on a particular day as the absenteeism for that day. That is, if the mills are shorthanded for some reason or other, only those people whose places the mills have been unable to fill are marked absent. The Labour Office is taking up this question in order that there may be no misapprehension as to the method to be followed in filling in returns.

The high percentage of absenteeism for Sholapur is surprising in view of the fact that it is the practice there for the millowners to pay all workers who have not lost more than four days' work in a month a grain allowance. The system adopted is that a worker who has put in the required minimum is allowed to purchase 20 seers of grain for Rs. 2, the market price of which may be Rs. 3-8-0 or more. Despite this, the Sholapur figures are very high varying during the current year from about 12 to 16 per cent. The explanation given to the Labour Office of this phenomenon is that in Sholapur there is a system known as the Double Khada (twice absent) system whereby a man is marked absent for two days if he is absent without leave for one day. The returns sent in to the Labour Office are calculated from the pay rolls which would show a person to be absent on more days than he really is. Supposing there are 26 working days in a month and that an operative works for 22 days and absents himself without leave for four days he is marked present for 14 days only, *i.e.*, $22-(4\times2)=14$. Another source of error may be that even though an operative has left the mill his name remains on the pay roll until his place is filled up although in fact he may be working in some other mill.

II. The attached preliminary tabulation for ascertaining relative absenteeism in the Cotton Mill Industry in Bombay relates to 18 mills out of the 19 included in the 1926 cotton mill wage census. The statistics have been compiled from returns received for each individual, men and women being tabulated separately. Employees have been grouped by departments. In cases where regular workers left a mill during the month and were replaced by other regular workers they have been excluded from the tabulation, for it would be impossible to ascertain whether the worker who left and the worker who was taken on worked during the remainder of the month in another mill or in another department of the same mill. The clerical staff has been excluded from the tabulation. The number of workers included is 33,740 men and 10,311 women as compared with 113,719 men and 32,525 women who are shown by the latest factory returns to be employed in the Bombay cotton mills. The results show absenteeism amounting to 7·86 per cent. for men and 13·19 per cent. for women with a relative absenteeism for all workers of 8·97 per cent. The statements themselves are quite clear and call for no elucidation. The figures for the two numerically most important departments of the mills, weavers and ring spinners, are interesting being 4·23 per cent. and 10·84 per cent. respectively. (Annexures B, C and D.)

The method by which the census has been conducted has permitted an absenteeism statement to be prepared showing the number of days worked by each individual operative. This shows that 52·14 per cent. of the men worked the full 27 working days in the month, 16·82 per cent. were absent for one day only and 9·6 per cent. for two days. Therefore 78·56 per cent. of the men operatives worked for 25 days or more out of a possible 27. The figures for women show that 31·36 per cent. worked every working day, 21·47 per cent. were absent for one day and 11·33 per cent. for two days showing that 64·16 per cent. of women operatives worked for 25 or more days out of a possible 27.

Attention may be drawn to the disparity between the absenteeism returns for July 1926 as calculated from the monthly returns (published in the *Labour Gazette* for August) and the figure for the same month shown by the census returns. The latter figure is 8·97 per cent. and the former is 10·38 per cent. If, however, the returns made by the 18 mills which appear in the census returns are compared, they show an average absenteeism of 8·63 per cent. so that the difference between them is very small and is accounted for by the fact that in the one case we are dealing with mass figures and in the other with a summation of units. The difference, however, between 8·97 per cent. the census figure, and 10·38 per cent. the figure shown by the returns from all the mills in Bombay city, seems to require some explanation. It would appear to be due to the fact that there were stoppages of work in a number of mills due to various causes. The schedules on which these monthly returns are collected ask for information regarding "actual number on pay roll" and "actual number of absentees" and it is probable that in many cases those who are "stood off" for a few days owing to machinery being idle, are counted as absent. This would account to a large extent for the disparity, but the question is being examined in greater detail.

ANNEXURE A

(Form for the Textile Industry)

Information for use in the Labour Office, Secretariat, Bombay

Note.—(1) The information given in this form will be regarded as strictly confidential. *Returns of individual industries or establishments* will not be published. The object of this statement which is forwarded to all employers is to obtain information for the article on employment in the "Month in Brief" in the *Labour Gazette.*

(2) The form should be returned to the Labour Investigator, Government of Bombay, Ahmedabad, by the first week of every month.

The state of employment in the $\frac{\text{Mill}}{\text{Mills}}$ in the month of 192

Question	*Answer*
I *Supply of labour* Please state (yes or no) whether the supply of labour was equal to the demand during the month.	
II *Absenteeism* (1) If absenteeism during the month has increased or decreased please give the probable cause for the increase or decrease.	
(2) *Please give on the reverse of this form—* (*a*) Actual daily number of hands on the establishment. (*b*) Actual daily number of absentees.	
III *General remarks on labour.* Please give any other information which you think may be of interest.	

Signature of person who completed the return.

Signature $\frac{\text{Manager.}}{\text{Superintendent.}}$

Month and Day 1	Actual number on pay roll 2	Actual number of absentees 3	Remarks 4
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
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23			
24			
25			
26			
27			
28			
29			
30			
31			

Note.—Kindly underline in red ink or pencil the day on which wages were paid during the above month.

ANNEXURE B

ANNEX

A Detailed Statement of Absenteeism in Representative Cotton

No.	Departments	Number of operatives	Possible working days	The numbers of regular				
				27 days	26 days	25 days	24 days	23 days
1	Mixing and Waste Room.	500	13,500	265	91	43	24	18
2	Blowing Room ..	982	26,514	558	139	58	36	20
3	Carding Room ..	2,159	58,293	1,120	543	207	88	43
4	Drawing Frames ..	829	22,383	249	198	112	77	47
5	Slubbing and Roving Frames.	2,457	66,339	757	551	354	191	149
6	Ring Spinning ..	10,329	278,883	3,565	2,519	1,399	790	477
7	Mule Spinning ..	569	15,363	197	128	81	40	22
8	Winding	4,308	116,316	1,124	769	531	351	262
9	Reeling	2,087	56,349	461	352	229	214	138
10	Warping	700	18,900	290	129	81	30	33
11	Doubling	207	5,589	110	43	22	7	6
12	Sizing	1,104	29,808	525	206	99	41	32
13	Drawing	837	22,599	252	148	125	68	61
14	Weaving General ..	1,465	39,555	933	197	112	51	33
15	Weavers	10,210	275,670	7,437	917	543	312	204
16	Calendering ..	165	4,455	90	34	8	13	2
17	Dyeing	202	5,454	80	36	22	8	3
18	Bleaching ..	517	13,959	232	108	48	32	9
19	Yarn Bundling and Baling.	379	10,233	171	71	43	14	9
20	Cloth Folding and Baling.	1,663	44,901	930	307	131	66	36
21	Power House and Maintenance Staff.	1,364	36,828	898	205	81	66	22
22	Godowns	314	8,478	173	62	20	15	7
23	Miscellaneous ..	704	19,008	408	135	58	26	18
	Totals ..	44,051	1,189,377	20,825	7,888	4,407	2,560	1,651
	Percentage of operatives present to total number of operatives.	..	..	47·27	17·91	10·00	5·81	3·75

URE B

Mills in Bombay City during the month of July 1926

workers who worked for

22 days	21 days	20 days	19 days	18 days	17 days	16 days	15 days
5	10	7	8	3	5	2	1
17	15	14	12	14	8	9	10
26	24	20	14	17	6	6	3
32	20	16	12	11	7	10	6
68	77	42	37	30	22	18	17
273	198	127	105	118	92	55	66
19	13	7	3	6	4	4	5
157	155	149	110	87	32	43	46
107	75	54	32	42	47	25	39
12	19	9	12	13	5	6	3
3	4	2	1	1	1	1	..
26	22	10	6	22	10	7	14
37	27	18	13	13	14	3	5
22	15	15	10	14	8	7	5
155	113	78	67	66	35	32	33
3	4	2	2	..	..	..	1
6	4	2	3	1	1	3	3
4	14	9	4	5	5	1	6
3	4	17	17	8	10	2	..
28	28	14	5	15	7	6	5
23	12	4	10	10	6	2	3
10	8	2	3	2	3	1	2
23	2	3	7	3	5	2	2
1,059	863	621	498	501	383	245	275
2·40	1·96	1·41	1·13	1·14	0·87	0·56	0·63

ANNEX

A Detailed Statement of Absenteeism in Representative Cotton

No.	Departments	The numbers of regular						
		14 days	13 days	12 days	11 days	10 days	9 days	8 days
1	Mixing and Waste Room.	5	1	..	..	1	1	..
2	Blowing Room ..	11	8	4	6	2	12	7
3	Carding Room ..	4	4	3	5	4	6	4
4	Drawing Frames ..	3	3	4	2	3	5	3
5	Slubbing and Roving Frames.	18	12	9	13	11	10	17
6	Ring Spinning ..	74	66	66	40	39	51	55
7	Mule Spinning ..	5	1	5	3	1	4	7
8	Winding	56	38	42	30	37	44	42
9	Reeling	37	26	12	32	28	23	27
10	Warping	8	9	4	3	1	5	7
11	Doubling	2	..	..	2	..	..	1
12	Sizing	6	8	8	5	7	10	10
13	Drawing	5	5	5	5	7	4	5
14	Weaving General ..	6	4	5	5	5	6	2
15	Weavers	34	38	27	18	17	30	13
16	Calendering ..	..	1	..	..	..	1	..
17	Dyeing	4	7	5	..	..	..	..
18	Bleaching ..	2	4	10	1	5	2	3
19	Yarn Bundling and Baling.	3	1	..	2	..	1	3
20	Cloth Folding and Baling.	5	9	6	11	5	15	2
21	Power House and Maintenance Staff.	4	2	3	2	..	5	1
22	Godowns	..	3	1	..	..	..	1
23	Miscellaneous ..	2	1	3	1	..	..	1
	Totals ..	204	251	222	186	173	235	211
	Percentage of operatives present to total number of operatives.	0·67	0·57	0·50	0·42	0·39	0·53	0·48

URE B—*contd.*

Mills in Bombay City during the month of July 1926—contd.

workers who worked for							Actual working days	Percentage absenteeism
7 days	6 days	5 days	4 days	3 days	2 days	1 day		
2	2	..	5	1	..	..	12,535	7·22
4	1	5	4	3	3	2	23,981	9·55
2	1	2	2	2	3	..	55,270	5·19
4	1	1	1	1	..	1	20,137	10·03
16	9	10	7	3	5	4	59,001	11·06
26	29	30	22	25	16	6	250,254	10·23
3	1	1	2	3	2	2	13,674	10·99
34	20	32	14	25	17	11	98,092	15·66
14	14	20	8	15	13	3	46,234	17·95
3	2	2	2	3	4	5	16,713	11·57
..	..	1	..	..	..	..	5,267	5·76
2	5	3	4	10	3	3	26,655	10·58
2	3	3	2	2	..	..	19,947	11·74
1	1	2	1	3	2	..	37,371	5·52
13	7	7	4	5	5	..	264,047	4·21
2	..	..	1	..	1	..	4,157	6·69
1	5	1	..	6	1	..	4,617	15·35
1	2	2	..	3	4	1	12,426	10·98
..	..	..	..	..	..	..	9,350	8·63
1	4	4	4	7	9	3	41,608	7·33
..	1	1	1	1	1	..	35,291	4·17
..	..	..	..	..	1	..	8,014	5·47
..	1	..	..	..	..	3	18,061	4·98
131	109	127	84	118	90	44	1,082,692	8·97
0·30	0·24	0·29	0·19	0·27	0·21	0·10		

ANNEX

A Detailed Statement of Absenteeism in Representative Cotton

ME

Nos.	Departments	Number of operatives	Possible working days	The numbers of regular				
				27 days	26 days	25 days	24 days	23 days
1	Mixing and Waste Room.	241	6,507	134	30	24	10	10
2	Blowing Room ..	940	25,380	535	132	56	33	18
3	Carding Room ..	1,786	48,222	946	435	172	68	36
4	Drawing Frames ..	557	15,039	140	124	80	57	42
5	Slubbing and Roving Frame.	2,248	60,696	657	501	334	180	143
6	Ring Spinning ..	7,586	204,822	2 483	1,775	1,084	621	389
7	Mule Spinning ..	569	15,363	197	128	81	40	22
8	Winding	485	13,095	180	74	63	43	28
9	Reeling	71	1,917	37	12	7	5	3
10	Warping	595	16,065	240	101	74	27	30
11	Doubling	199	5,373	108	41	22	6	6
12	Sizing	871	23,517	462	149	67	31	25
13	Drawing	837	22,599	252	148	125	68	61
14	Weaving, General ..	1,428	38,556	910	187	110	50	33
15	Weavers	10,210	275,670	7,437	917	543	312	204
16	Calendering ..	164	4,428	90	33	8	13	2
17	Dyeing	192	5,184	76	35	22	6	2
18	Bleaching ..	500	13,500	226	102	46	29	9
19	Yarn Bundling and Baling.	379	10,233	171	71	43	14	9
20	Cloth Folding and Baling.	1,565	42,255	876	289	122	60	30
21	Power House and Maintenance.	1,364	36,828	898	205	81	66	22
22	Godowns	249	6,723	128	50	17	14	6
23	Miscellaneous ..	704	19,008	408	135	58	26	18
	Totals ..	33,740	910,980	17,591	5,674	3,239	1,779	1,148
	Percentage of workers present to the total number of operatives.			52·14	16·82	9·60	5·27	3·40

URE C

Mills in Bombay City during the month of July 1926

N

workers who worked for

22 days	21 days	20 days	19 days	18 days	17 days	16 days	15 days
3	4	6	5	3	3	1	1
17	14	14	12	13	8	9	10
24	16	17	11	16	4	4	3
31	16	15	9	7	5	8	3
66	73	40	34	28	21	18	17
233	102	97	70	88	77	38	45
19	13	7	3	6	4	4	5
12	11	6	8	5	7	1	3
1	1	1	....	..	..	1	1
12	19	7	11	10	5	6	3
3	3	2	1	1	1	1	..
19	19	7	4	17	5	6	8
37	27	18	18	13	14	3	5
22	14	15	10	14	8	7	5
155	113	78	67	66	35	32	33
3	4	2	2	..	..	..	1
6	3	2	3	1	1	3	3
4	14	9	4	5	5	1	6
3	4	17	17	8	10	2	..
27	26	14	5	15	6	6	5
23	12	4	10	10	6	2	3
10	8	1	3	2	3	1	1
23	2	3	7	3	5	2	2
753	578	382	323	331	233	156	163
2·23	1·71	1·13	0·96	0·98	0·69	0·46	0·48

ANNEX

A Detailed Statement of Absenteeism in Representative Cotton

ME

Nos.	Departments	The numbers of regular						
		14 days	13 days	12 days	11 days	10 days	9 days	8 days
1	Mixing and Waste Room.	3	..	..	..	..	..	..
2	Blowing Room ..	10	8	4	6	2	12	7
3	Carding Room ..	3	4	2	5	2	4	3
4	Drawing Frames ..	1	2	3	2	3	2	3
5	Slubbing and Roving Frame.	18	12	9	12	10	10	15
6	Ring Spinning ..	63	47	48	33	27	39	42
7	Mule Spinning ..	5	1	5	3	1	4	7
8	Winding	4	4	7	3	..	3	4
9	Reeling	..	2	..	..	..	..	..
10	Warping	6	7	3	3	1	4	7
11	Doubling	..	..	..	2	..	..	1
12	Sizing	3	5	3	3	6	6	6
13	Drawing	5	5	5	5	7	4	5
14	Weaving, General ..	6	4	5	5	5	6	2
15	Weavers	34	38	27	18	17	30	13
16	Calendering ..	..	1	..	..	..	1	..
17	Dyeing	4	7	4	..	..	..	..
18	Bleaching ..	2	4	10	1	5	2	3
19	Yarn Bundling and Baling.	3	1	..	2	..	1	3
20	Cloth Folding and Baling.	5	9	6	11	5	15	2
21	Power House and Maintenance.	4	2	3	2	..	5	1
22	Godowns ..	..	2	1	..	..	..	1
23	Miscellaneous ..	2	1	3	1	..	..	1
	Totals ..	181	166	148	117	91	148	126
	Percentage of workers present to the total number of operatives.	0·54	0·49	0·44	0·35	0·27	0·44	0·37

URE C—*contd.*

Mills in Bombay City during the month of July 1926

N

workers who worked for—*contd.*							Actual working days	Percentage absenteeism
7 days	6 days	5 days	4 days	3 days	2 days	1 day		
1	2	..	..	1	..	..	6,033	7·44
4	1	5	4	3	2	1	22,954	9·56
1	1	2	2	2	3	..	45,756	5·11
2	1	1	..	..	..	..	13,406	10·86
16	8	7	7	3	5	4	53,763	11·42
20	25	19	16	20	11	5	182,612	10·84
3	1	1	2	3	2	2	13,074	10·99
..	4	5	2	4	1	3	11,430	12·71
..	..	..	..	..	..	..	1,795	6·36
2	2	2	2	3	3	5	14,122	12·09
..	..	1	..	..	..	..	5,088	5·30
1	5	2	2	5	3	2	21,398	9·01
2	3	3	2	2	..	..	19,947	11·74
1	1	2	1	3	2	..	36,395	6·44
13	7	7	4	5	5	..	264,047	4·23
2	..	..	1	..	1	..	4,131	6·71
1	5	1	..	6	1	..	4,379	15·53
1	2	2	..	3	4	1	11,986	11·21
..	..	..	..	..	..	..	9,350	8·63
1	4	4	4	7	8	3	39,092	7·49
..	1	1	1	1	1	..	35,291	4·17
..	..	..	..	..	1	..	6,316	6·05
..	1	..	..	..	..	3	18,061	4·98
71	74	65	50	71	53	29	841,016	7·68
0·21	0·22	0·19	0·15	0·21	0·16	0·09		

ANNEX

A Detailed Statement of Absenteeism in Representative Cotton

WO

No.	Departments	Number of operatives	Possible working days	The numbers of				
				27 days	26 days	25 days	24 days	23 days
1	Mixing and Waste Room.	259	6,993	131	61	19	14	8
2	Blowing Room ..	42	1,134	23	7	2	3	2
3	Carding Room ..	373	10,071	174	108	35	20	7
4	Drawing Frame ..	272	7,344	109	74	32	20	5
5	Slubbing and Roving Frame.	209	5,643	100	50	20	11	6
6	Ring Spinning ..	2,743	74,061	1,082	744	315	169	88
7	Winding	3,823	103,221	944	695	468	308	234
8	Reeling	2,016	54,432	424	340	222	209	135
9	Warping ..	105	2,835	50	28	7	3	3
10	Doubling ..	8	216	2	2	..	1	..
11	Sizing ..	233	6,291	63	57	32	10	7
12	Weaving General ..	37	999	23	10	2	1	..
13	Calendering ..	1	27	..	1	..	..	..
14	Dyeing	10	270	4	1	..	2	1
15	Bleaching ..	17	459	6	6	2	3	..
16	Cloth Folding and Baling.	98	2,646	54	18	9	6	6
17	Godowns	65	1,755	45	12	3	1	1
	Totals ..	10,311	278,397	3,234	2,214	1,168	781	503
	Percentage of workers present to total number of workers.			31·36	21·47	11·33	7·57	4·88

URE D

Mills in Bombay City during the month of July 1926

MEN

Regular workers who worked for							
22 days	21 days	20 days	19 days	18 days	17 days	16 days	15 days
2	6	1	3	..	2	1	..
..	1	..	..	1	..	..	..
2	8	3	3	1	2	2	..
1	4	1	3	4	2	2	3
2	4	2	3	2	1	..	..
40	36	30	26	30	15	17	21
145	144	143	102	82	75	42	43
106	74	53	32	42	47	24	38
..	..	2	1	3	..	..	..
..	1	..	..	..	..	..	..
7	3	3	2	5	5	1	
..	1	..	..	..	..	..	6
..	..	..	..	..	..	..	..
..	1	..	..	..	..	..	..
..	..	..	..	..	..	..	..
1	2	..	..	..	1	..	
..	..	1	..	..	..	..	1
306	285	239	175	170	150	89	112
2·97	2·76	2·32	1·70	1·65	1·45	0·86	1·09

ANNEX

A Detailed Statement of Absenteeism in Representative Cotton

WO

No.	Departments	The numbers of regular						
		14 days	13 days	12 days	11 days	10 days	9 days	8 days
1	Mixing and Waste Room	2	1	..	..	1	1	..
2	Blowing room ..	1	..	..	..	..	..	..
3	Carding room ..	1	..	1	..	2	2	1
4	Drawing frame ..	2	1	1	..	..	3	..
5	Slubbing and Roving frame.	..	..	..	1	1	..	2
6	Ring Spinning ..	11	19	18	7	12	12	13
7	Winding	52	34	35	27	37	41	32
8	Reeling	37	24	12	32	28	23	27
9	Warping	2	2	1	..	..	1	..
10	Doubling	2	..	..	..	..	..	..
11	Sizing	3	3	5	2	1	4	4
12	Weaving General ..	..	..	..	..	..	..	..
13	Calendering ..	..	..	..	..	..	..	..
14	Dyeing	..	..	1	..	..	..	..
15	Bleaching ..	..	..	..	..	..	..	..
16	Cloth Folding and Baling.	..	..	..	..	..	..	..
17	Godowns	..	1	..	..	..	..	..
	Totals ..	113	85	74	69	82	87	85
	Percentage of workers present to total number of workers.	1·10	0·82	0·72	0·67	0·80	0·84	0·82

URE D—*contd.*

Mills in Bombay City during the month of July 1926

MEN

workers who worked for							Actual working days	Percentage absenteeism
7 days	6 days	5 days	4 days	3 days	2 days	1 day		
1	..	..	5	..	..	..	6,502	6·59
..	..	..	..	..	1	1	1,027	9·44
1	..	..	..	..	..	..	9,514	5·53
2	..	..	1	1	..	1	6,731	8·68
..	1	3	..	..	..	..	5,238	7·18
6	4	11	6	5	5	1	67,642	8·67
34	16	27	12	21	16	8	86,662	16·04
14	14	20	8	15	13	3	44,439	18·36
1	..	..	..	..	1	..	2,591	8·61
..	..	..	..	..	..	..	179	17·13
1	..	1	2	5	..	1	5,257	16·44
..	..	..	..	..	..	..	976	2·39
..	..	..	..	..	..	..	26	3·70
..	..	..	..	..	..	..	238	11·85
..	..	..	..	..	..	..	440	4·14
..	..	..	..	..	1	..	2,516	4·91
..	..	..	..	..	..	..	1,698	3·25
60	35	62	34	47	37	15	241,676	13·19
0·58	0·34	0·60	0·33	0·46	0·36	0·15		

Witness No. 16

THE DIRECTOR OF INFORMATION AND LABOUR, GOVERNMENT OF BOMBAY

Oral evidence of Mr. J. F. Gennings, Director of Information and Labour, Government of Bombay, and Mr. N. A. Mehrban, Investigator, Labour Office, recorded at Bombay on the 9th November 1926

Wages

President.—We do not propose to examine you on any controversial questions, Mr. Gennings. We recognise that it would be undesirable in view of your position as Director of Labour. What we are anxious to get at is the exact position in regard to some of the statistics on which we have to work. They fall under three heads as you know—wages, absenteeism and cost of living. One of the points that troubled us very considerably in Ahmedabad was the fact that wages in Ahmedabad according to the Ahmedabad millowners were reduced by 15½ per cent. in June 1923 and yet the average daily earnings as shown in your second census which was taken in August 1923 is Re. 1-3-10 a day for all work-people against Re. 1-2-7 in the first census which was taken in May 1921, That may of course have been due to some extent to a slightly different way in which the census was taken, but the average monthly earnings show very little difference inspite of this 15½ per cent. cut in 1923. The average monthly earnings in Ahmedabad were Rs. 30-2-11 in 1921 and in 1923 they were Rs. 29-7-0. There is very little difference there and, therefore, we find it impossible at present to understand how it is that the wages in Ahmedabad shows little difference inspite of the 15½ per cent. cut.

A. I imagine it was due to the more extensive reporting in the second enquiry. In the first enquiry there were only 39 returns received from 64 mills; in the second enquiry it was a cent per cent. return.

Q. From Ahmedabad?

A. From Ahmedabad. And Mr. Sedgwick has a note here on page 10 of his report, *i.e.*, the second report, with reference to it. He says: 'Had absenteeism been allowed for, the average daily earnings for Ahmedabad for May 1921 and also 1914 would have been rather higher than those ascertained and shown in the previous report. It is necessary that this fact should be remembered when examining the statistics for Ahmedabad from a comparative point of view.'

Q. The only inference that can be drawn from that is that these figures are extraordinarily unreliable for purposes of comparison. Are not they?

A. Well, they are subject, of course, to variations. There is the human factor very largely. They are filled in by the mills and I should think they are as accurate as the method of ascertaining them would allow them to be. You see the schedule on which these returns were collected. Here I have got some actual returns as we receive them. Here is one for 1921. And I think that the fact that in one it was cent per cent. and in the other 39 only out of 64 would affect the figure.

Q. Undoubtedly. My point is that it does make it extremely difficult to base any correct inference on them.

A. Yes, that may be so. Of course the Labour Office was only started in 1921 and of course it has gained experience as it has gone on, and the mills, I may say, are now making better returns than they used to.

Q. As regards Bombay does the same objection hold? Do you consider they are comparatively much more reliable owing to the fact—I think you mentioned somewhere—that the Bombay returns are very much fuller than the Ahmedabad ones.

A. Yes, they were in the first enquiry 82 out of 83, and in the second enquiry cent per cent.

Q. Can you tell us why May in the first instance and August in the second instance were selected?

A. In the report of the second enquiry, on the first page, paragraph 3 it is mentioned.....

Mr. Subba Rao.—That Ahmedabad wanted the month to be changed from May to a later month?

A. Yes, there was a big strike in Ahmedabad which commenced on the 1st of April 1923, which disorganised the industry very much and it was decided to hold the enquiry in the month of August. The millowners did not consider May satisfactory because it was the marriage season and attendance was bad.

President.—Why is August considered a good month ?

A. August is considered a good month in Ahmedabad but in Bombay for our enquiry this year we selected July because July is a full working month and there are no holidays in it. I am not sure why August was selected for the 1923 enquiry ; apparently it was fortuitous. Everything was settled for June and the forms were printed. Then there was this strike in Ahmedabad that affected it. We wanted the same month throughout. So August was taken as being the nearest month to June when this disorganisation. occurred. It was fixed with the approval of both Associations. The whole thing was in train. Everything was printed and everything was ready.

Q. Which is the most satisfactory month of the year in which to hold the census ?

A. June or July.

Q. Why ?

A. Because the disorganisation owing to holidays or seasonal absenteeism is supposed to be the least in those months.

Q. But do you want a month in which the disorganisation is the least ? That is the point. Are you justified in taking the most favourable month ? Isn't it better to adopt what might be considered an average month ?

A. It would be very difficult to say which is an average month, taking either the season or the number of holidays or anything of that kind, whereas if you can get a month when the mill organisation is undisturbed then you can get at the wages that could be earned. Then co-ordinating them with your absenteeism returns you may perhaps be able to get an idea as to what actually is earned. But I think from the point of view of a statistical enquiry, it is best to take a month where the industry is least disorganised owing to holidays.

Q. You mean a month in which things should be normal ?

A. Not abnormal.

Q. One point which arose in our oral examination at Ahmedabad was that the majority of the Bombay mills work for 26 days whereas in Ahmedabad the figure varies from 24 to 27, so that a comparison between Bombay wages and Ahmedabad wages is affected by the number of salaried people included in the wages list. How do you work out the wages of the salaried people ? Do you average the daily earnings of people like oilers who are paid monthly and not by daily rates ? Do you divide the month by the number of working days or divide it by the number of days in the month to get their average daily earnings ?

A. *Mr. Mehrban.*—Both the schedules asked for statistics in exactly the same way. We asked for the aggregate number of days worked by the number of workpeople shown against each kind of occupation during the month ; and where there were monthly salaried people the number of days shown for them, where no deductions were made for absenteeism, was the aggregate number of working days in the month. Suppose a monthly salaried man got Rs. 25 a month for 31 days' work. His remuneration was taken as for 27 working days. If his wages were cut for any days of absenteeism, the absent days were deducted.

Q. My point is this. Take a concrete case. Take Bombay. Suppose a man's earnings were Rs. 26 a month, the earnings of an oiler ; and in Bombay there are 26 working days. Would you divide by 30 or 26 ?

A. As a matter of fact we do not divide for individual cases. The schedules for the first two enquiries asked for statistics for the aggregate number employed in each occupation. In a certain department there would probably be five oilers shown as having worked for 140 days and having earned Rs. 180. Rs. 180 would be divided by 140.

Q. You divide by the working days ?

A. Yes. We divide the aggregate earnings by the aggregate number of working days.

A. *Mr. Gennings.*—Here we have 22 oilers. The aggregate number of working days is 30 and the aggregate earnings Rs. 704. The average earning is Re. 1-1-0.

Q. They could not have been working 30 days ?

A. Here we have four oilers working for 87 days. They earn between them Rs. 125 to Rs. 150. That works out at Re. 1-7-1 per day.

Q. They work for 21 days ?

A. Yes ; 87 days between them.

Q. Then there was some absenteeism there ?

A. Yes.

A. *Mr. Mehrban.*—As far as we know there is always a cut in wages for absent days even in the case of monthly salaried men, except perhaps the older hands like gate-keepers

and chaukidars. They may be given or may not be given their pay for the days on which they were absent. But generally the operatives in the mills themselves forfeit their wages.

Mr. Subba Rao.—At what rate ? Is it 1/30th or 1/26th?

A. The monthly rate divided by the number of working days in the month. Suppose there are 24 working days, the monthly rate is divided by 24. The wages of an absent day are cut like that.

Q. Not by 1/30th.

A. No.

A. *Mr. Gennings.*—We cannot say that definitely. That is what we understand. But there is nothing to show it.

Q. *Mr. Mehrban.*—It varies considerably from mill to mill.

A. *Mr. Gennings.*—There is no standard as I understand it. Individual mills deal as they think with a case of that kind.

President.—Do these returns apply only to cotton mills ?

A. Yes.

Q. I notice you have got Barsi Mill down in Sholapur ? The Barsi Mill is not actually in Sholapur ?

A. *Mr. Mehrban.*—In Sholpur District.

Q. Not in Sholapur itself ?

A. No, it is not in Sholapur.

Mr. Subba Rao. On page 9 of this second report there occurs this sentence. Speaking of a comparison between the base of 1914 and the figures for subsequent years it is said :—'But it is probable that the figures filled in in the columns for 1914 in the 1921 enquiry form were often obtained from the cash books of the mills, which would not necessarily give the same results as the muster rolls, from which the 1921 figures in the corresponding columns were ordinarily obtained.' Would you explain how that makes a difference ? Does it mean that the comparison would inflate the rise in wages or make it less than it would be ? Could you give us the contrast between the two sets of figures ? What is the difference definitely between the figures taken from the cash books and the figures based on the muster rolls ? The point I want to get at is this. Suppose we have for 1914, and 1921 figures based only on the cash books of the mills. You would get one set of results—actual payments in 1914, the net amount of wages paid. If you take 1914 as 100, you will get some rise or fall. And if you take the muster rolls in both cases you get another result. The two being placed in juxtaposition are said to give different results. Why is that ?

A. *Mr. Mehrban.*—As a matter of fact I conducted practically the whole of the 1923 census. So I know all the various difficulties that arose during that census. I was not here during the 1921 census, but, whilst making the second enquiry, I found what various errors, if I may say so, were committed by the different mills in filling up their returns, because all the returns received for 1921 were not quite correct in the manner that they ought to be. I found that in the 1921 enquiry the figures given on page 2 for 1914 were probably arrived at not from the muster rolls themselves but from the account books of the mills, which showed the actual wages bill of so many mill operatives. As a matter of fact, the form definitely asked for the aggregate earnings of the different classes of work-people, process operatives, men and women and so on and for those working full times, that means to say without a single day 's absenteeism. Even in the 1923 enquiry, I could get very few mills to take the trouble to make up complete returns,—complete correct returns. The 1921 figures as published throughout the first report are those that have been arrived at from individual statistics for occupations given in part 2 of the form whereas the comparative statistics for 1914 were arrived at without any detailed basis for the 1914 figures. Only the figures asked for in page 2 of the form for full time workers were used and we found that these full time workers' figures were given on a variety of different basis. That is why in the second report we qualified our comparison by saying that greater care should be taken in considering these two sets of figures for comparative purposes.

Q. I understand they are on different basis, but I want to understand what would be the result of having different sets of figures, cash book figures for 1914 and muster roll figures for 1921 ?

A. As a matter of fact I would not go so far as to say that all the mills took their figures from their cash books or from their account books. From their muster rolls some mills gave figures for full time workers and some mills compiled the figures for all operatives from their account books.

A. *Mr. Gennings.*—I think what it comes to is this, that my predecessor, having regard to the fact that some were taken from cash books and others were taken from muster rolls, or some might have been taken from both the muster roll and the cash book, but not knowing it for certain uttered this note of warning. Perhaps not knowing exactly what the difference would be he referred to it in case there should be any misunderstanding. I do not think we can tell you exactly what the difference would be.

President.—What Mr. Subba Rao and I equally with him would like to know is whether the net result would be to make the wages too high in 1914 as compared with 1921, or too low ? Are we right in drawing the inference that owing to the fact that the figures for 1914 were taken from cash books they were probably too low because the amount was actually paid irrespective of whether they were working full time or not ?

Mr. Subba Rao.—If you take the figures from cash books they represent actual payments. That allows for absenteeism, irregular workers and so on, whereas the muster roll figures, I understand, would give the kind of earning a man would get by working full time for a full number of days. Therefore the former figure would be too low and any comparison based on that would inflate the subsequent rise. To the extent they have been based on cash books there would be that source of error, that your base would be unduly low ?

A. I do not think we can go so far as that, because the 1921 figures collected on page 3 and onwards of the form also did not allow for absenteeism to the extent that was desirable.

Q. They take actual earnings also ?

A. *Mr. Mehrban.*—Here is a return where we asked for the aggregate number of days worked by the number of operatives shown in column 4 on page 3. Many mills did not submit the aggregate number of days actually worked but only gave the number of working days in the month, which would not allow for absenteeism. That would tend to lower actual earnings.

President.—Which would tend to a lower rate ? As between 1921 and 1923 which method tends to a lower rate of wages—the 1921 method or the 1923 method ?

A. Both the 1914 and the 1921 methods as compared with 1923.

Q. Tend to a lower rate ?

A. But we would not be quite definite on that. That is what we gather. As a matter of fact it would need a very careful examination of the whole of the returns and a complete overhauling of the working sheets and everything else. That is a very difficult statement to make.

A. *Mr. Gennings.*—But on that specific question you put, I think that is the reason for the insertion of this. I do not know what Mr. Sedgewick had in his mind. Presumably he thought that as some returns might be from the cash book and others from muster rolls, the Labour Office ought to make a reference to the fact so that people could draw any inference from it they liked.

Mr. Subba Rao.—He makes a much stronger statement a little later if I remember aright, that " with the data before us it will never be possible to use either 1914 or 1921 as a base for real wage index numbers. "

A. That is due of course to the form of the schedule for the 1921 enquiry. These 1914 figures, one is never certain how they were obtained at all because they asked for the number working full time.

President.—Was there a census in 1914 or were the figures actually obtained in 1914 ?

A. They were obtained in 1921. That is the basis of Mr. Sedgewick's remarks. These 1914 figures have an element of unreliability about them. There are certain margins of error.

Mr. Subba Rao.—Would there be also a source of error in that the cash book entry might include stray workers, not necessarily regular workers ?

A. Undoubtedly there would be.

Q. That also would tend to lower the average.

A. Yes.

A. *Mr. Mehrban.*—As a matter of fact it was the first enquiry of this kind in India. It was impossible for anybody to know anything about it. Even in the office the people who handled it compiled the statistics without knowing what those figures meant—officers like myself,—the Investigators who had been in charge of the enquiry.

Q. We want to get some kind of definite base for any conclusion about wages.

A. *Mr. Gennings.*—The 1914 figures are certainly open to criticism possibly owing to the form of the schedule and the different ways in which it was interpreted by the mills which filled in the forms.

President.—Why was no information given in either of these censuses as regards the daily rates? In wages census at any rate would not that have been of some help? When you are going in for such an elaborate enquiry as this, it does seem that information in regard to daily rates should be given, apart from the people who are paid on piece-work—and even there some information might have been given as to the rate per pound for standard lines of weaving.

A. *Mr. Mehrban.*—No rates were procured at all.

Q. Isn't it rather a serious defect? That would have been some guide or check as to the validity of your results.

A. *Mr. Gennings.*—There is no uniformity in rates.

Q. Surely as regards the daily rates?

A. I think they vary.

Q. In the various centres? Take Bombay for instance. You would not get a very wide difference. But even so, you could have included columns for your rates and averaged those for the different years.

A. That of course we are doing for the 1926 census which unfortunately will not be available to this Committee. You can see from the schedule that we are collecting it.

Q. I am glad to hear that. It certainly is a most desirable addition.

Mr. Subba Rao.—Do these returns show the total wages bill of the different mills that you obtained figures from—how much a mill paid in the course of the year in the 1921 and 1923 returns?

A. They were totalled from the form itself. We did not have a separate statement from the mill.

Q. They would represent the actual amount of wages paid?

A. Yes. We totalled it from the form.

A. *Mr. Mehrban.*—The first census would not show it on account of the composite basis on which the figures were compiled. In the second census the wages bill figures were compiled from Part II of the form on returns from cent. per cent. mills.

Q. If you could get a thing like this, the amount of wages paid in the course of the year as against the amount of output, that would give us over a series of years some kind of indication as to whether wages have gone up as a share in distribution or not. We find it very difficult to get some kind of base line for purposes of comparison between year to year.

A. *Mr. Gennings.*—The Labour Office has nothing of that kind.

Q. I wondered if they had any data of that kind—the amount of wages paid in the industry and the amount of output as between different years.

A. We have got nothing of that sort.

Absenteeism

President.—We now come to absenteeism. Here again it would seem difficult to draw a valid comparison between Bombay, Ahmedabad and upcountry centres owing to the different ways in which the figures are compiled. You tell us in your written statement, Mr. Gennings, that in Bombay a weaver who is absent finds a man to take his place and that man is accepted by the mill and put to work on the looms of the absentee weaver, who is then marked present. In Ahmedabad, on the other hand, we have been told that the absentee weaver is marked absent and that the wages of his substitute are paid by the mill. Therefore it would seem that the Bombay percentage of absenteeism is shown as much lower than it really is.

A. I do not know whether you could call it much lower; it would tend to be lower; because, if you look at the detailed statement of absenteeism compiled from the latest census, that does not take account of that practice and there I think you will find the absenteeism in weaving was 4·21 per cent.

Q. This detailed statement as you now have compiled it does not take account of that practice?

A. No.

Q. Every man who was absent was actually shown as absent?

A. Actually shown as absent.

Q. The results are very striking, if for weavers the percentage is only 4·21 and spinners 10·84 per cent.

A. Yes. (The witness then showed the President the form used for the 1926 census.)

Q. This is your wages census.

A. But you get statistics of absenteeism from that statement, if you look at columns 4 and 5. That is what we are working from.

Q. It is most unfortunate from our point of view that census was not undertaken a little earlier, because the information you are gathering here would have been of the utmost value to us. Can you account for this difference between the weavers and spinners—a difference of 6 per cent. in absenteeism ?

A. We cannot account for it.

Q. You have not formed any impression as to whether it is due to the fact that weavers are paid on piece-work and spinners by the day ?

A. No, Sir, we have not formed any impression.

Q. I will repeat my question to be absolutely certain. The system under which you have conducted the present enquiry for absenteeism takes full account of the absenteeism of the regular worker ?

A. Yes.

Q. If that is so, then the difference between Ahmedabad and Bombay on the figures of 1923 would not be so marked. Your absenteeism in Bombay in July was 8·9 per cent. The absenteeism in Ahmedabad in August 1923 was 8·7. There is very little difference between them.

A. That Ahmedabad figure for August 1923 has been attributed to the still disorganised condition of the industry after the strike in June.

Q. Take August 1926. In July 1926 absenteeism in Ahmedabad was 10·38, falling in August to 2·87. There is a tremendous difference between July and August. Why is that ?

A. The figure 10·38 per cent. is a clerical error. The writer of the note has inadvertently used the Bombay figure which was 10·38 per cent. instead of the Ahmedabad figure. The correct figure is 2·35 per cent. This figure was correctly shown in the August issue and is also recorded on the chart on page 24 of the September issue of the Labour Gazette.

Q. Then again, the figures for Sholapur in regard to absenteeism do not appear to be very reliable. The high percentage of absenteeism in Sholapur seems to be inflated by this practice of marking a man absent for two days when he has been really absent for one day.

A. That is the explanation given to me as a result of an enquiry made in Sholapur.

Q. Are you taking steps to rectify that ?

A. We are taking steps to see that there is greater uniformity in filling up returns.

Q. I gather from the last paragraph of your written statement, Mr. Gennings, that the mills you selected for this enquiry were rather favourably situated in regard to absenteeism. Their percentage is distinctly below the figures for Bombay as a whole. You say that the figure for Bombay as a whole was 10·38 as against 8·97 for these mills, and on detailed examination of the figures of the mills you have shown that there was really very little difference between the figures of the returns from them in the special enquiry and the figures returned by the ordinary census returns ?

A. Yes, that is so.

Q. Can you consider them representative mills ?

A. I think so. They were selected on that basis. The island was divided into eight areas, roughly geographically, and mills were selected from those areas roughly proportionate to the number of mills in the group.

Q. Let me be quite clear. This is a special enquiry ?

A. Yes.

Q. And in addition to this the same mills were filling up the figures for the ordinary enquiry ?

A. Yes.

Q. And the results given by the two enquiries were very nearly the same—a difference of about ·34 per cent. If you consider that these mills selected for your special enquire were representative mills, to what do you attribute the fact that their percentage of absenteeism was so distinctly lower than the average percentage as revealed by the ordinary monthly census ?

A. We did not take a mill, for example, that was working short time.

Q. No, you naturally would not.

A. Mills that had closed down on account of repairs to machinery. I think the Spring Mills for instance were doing overhauling of machinery and so on. It is quite possible

that as I suggest here that if they stood a man off or stood a department off because certain machinery was closed down they may have returned them as absent.

Q. Although they are not really absent in your sense of the word ?
A. Not absent in our sense of the word.

Q. That shows the difficulty of using these figures.
A. Naturally of course where you have a large number of mills filling up these returns they may vary in the view that a manager may take as to what is required. But of course the 8·97 census figure may be taken as absolutely accurate because they were compiled from unassailable returns.

Q. Do you propose altering your ordinary monthly census form to coincide with the form used in your special enquiry ? The enquiry you have now made does seem to me, as far as I am in a position to judge, to represent the best way of arriving at this figure of absenteeism and, therefore, what I should like to know is whether it is possible to adopt this method in future throughout for the whole Presidency for ascertaining absenteeism.
A. No, I do not think it would be possible.

Q. Because it gives so much more trouble ?
A. *Mr. Mehrban.*—Much more trouble. In filling up this absenteeism statement for the Tariff Board, we had to engage about nine clerks for about a fortnight. If we collect these statistics monthly.....

Q. Do I understand that you made this special enquiry for us ?
A. *Mr. Gennings.*—We got out the figures specially for you, but we included the column in the schedule with regard to absenteeism without reference to the Board.

Q. What has happened is that this special enquiry formed part of your wage census ?
A. Yes.

Q. You have extracted the results from the figures collected in that census ?
A. The figures for absenteeism, because they were figures you wanted and it was easier to get them.....

Q. We are very much indebted to you for the trouble you have taken. Then it really comes to this, that for absolutely correct figures in regard to absenteeism one will have to wait for the wages census ?
A. Yes, the method is too complicated for the tabulation of ordinary monthly returns for the whole of the Presidency and we could not possibly handle it. The form that we have used so far seems to us the best that could be devised for getting information, but we may revise it. We will see if we cannot revise it so as to make the possibility of error less—when I say error, I mean the idiosyncracy of the individual who fills it up—while at the same time keeping it in mass form. We can only deal with absenteeism in the mass in our monthly returns. We cannot deal with summation of units. We can only go by the mass method.

Q. You can, at any rate, effect an improvement, can't you, by inducing the Bombay mills to abandon this practice of counting a man present when he has got a substitute working for him ?
A. I do not know whether we can induce them to abandon it, but we may get them to put it on the form. It will mean a great deal of work for the mills to put it in the form unless they change their practice. If they change their practice, it would be different. But the mills had to take an enormous amount of trouble in making these wage census returns. They had to work overtime and did all they possibly could to ensure their accuracy.

Raja Hari Kishan Kaul.—Regarding the percentage of absenteeism in Ahmedabad, it is very low as compared with that in other places in spite of the fact that when *budlis* are present the regular operatives are marked absent in Ahmedabad, whereas they are marked present in Bombay. If the figures were based on a similar system in both the places, the difference would have been greater ?
A. It would appear to be so.

Q. Do you think there is some other cause, some other difference in the system of recording absenteeism that accounts for such a low percentage in Ahmedabad ?
A. That is possible. It has been suggested to us. I think I stated it fairly definitely in my written statement.

Q. You say ' It seems to be true also that labourers in Ahmedabad are generally more regular in their attendance. These facts however cannot explain the whole of the difference and it seems probable that a further explanation is to be found in the incorrect filling in of the returns. Enquiries recently made suggest that a number of mills do not

understand the form and are giving the number of vacancies on a particular day as the absenteeism for that day '.

A. That is the possible explanation given to us as a result of the enquiry made.

Q. Would that account for a lower percentage of absenteeism than actually exists ?

A. Yes, that would, because you see we are obtaining statistics for absentee regular workers, not for the number of vacancies that the mills are not able to fill on a particular day. Then of course the difference is very great indeed.

Q. It is true that the labour is more regular there but still the difference between the two figures is very great ?

A. It is very great. I quite agree.

Q. As regards the system at Sholapur, I do not quite follow the calculation which you have given. You say that out of 26 working days, if a man has been absent 4 days he will be marked present for 14 days. Should he not be marked present for 18 days ?

A. They take 22 days.

Q. He was present for 22 days ; he was absent for 4 days ; and the total working days were 26. Out of that instead of deducting 4 they would deduct 8. That would give you 18 instead of 14.

A. That is how it was put to me as the explanation. It is a sort of double fining.

Q. If it was raised from 4 to 8, out of 26 working days the men ought to be shown a having worked 18 days ?

A. I agree. I am obliged to you for pointing that out. It is an error in calculation.

Mr. Subba Rao.—I suppose you have not been able to get any information as to what extent absenteeism is due to illness and such unavoidable causes and to what extent it cannot be explained that way. The reports merely give the figures. You get no reasons I think ?

A. No, we have no information on that.

Q. Is it not possible to classify absenteeism as unavoidable and avoidable ? It cannot be done on the basis of the figures you have got now ?

A. No.

Q. Then, you say that some mills employ a certain number of spare hands about as high as 10 per cent. But absenteeism is 8·97 per cent. And you say it follows that the additional wage they have got to pay will be practically nil. It means 1 per cent....

A. I think that will be wiped out, because we are dealing with July and it is a favourable month for absenteeism—no holidays.

Q. Therefore it comes to this that any mill which has got extra hands calculated more or less carefully does so on the muster rolls. The 10 per cent. extra wages would not be 10 per cent. extra as a result of actual operations ?

A. No ; that is so.

Q. That will be very helpful to the mills if it could be adopted. How many mills have adopted this system ?

A. I have no idea.

Q. We were told that some mills had this system and it added to their wages bill, but from the figures you have given it appears just the other way about. Although you keep more people you do not pay them more ?

A. I think probably the reason is that there is a possibility that it might add to their wages bill and therefore the mills probably do not feel that they should undertake this extra liability if it could be avoided in any other way.

Q. It gives greater continuity of labour ?

A. Yes, that is the reason why certain mills adopt it.

Q. Just as in services where you have more people whom you can employ when a certain number have gone on leave.

A. Yes, you keep a leave reserve.

President.—One point arises out of that, and that is this. Take the case of a mill which is employing this 10 per cent. extra. Supposing a hundred people were required in a department and the mill is employing 110 and you get 10 per cent. absent out of that 100. That means 10 are absent. But in working out your percentage of absenteeism you base it on 110 instead of 100.

A. Yes, we would.

Q. That would reduce your percentage of absenteeism for these mills ?

A. Slightly.

Q. It would not affect your special enquiry, but would affect your monthly figures ?
A. Yes.

Mr. Subba Rao.—You say an examination of the statistics shows that the day following pay day there is a substantial increase in absenteeism. Have you got any definite figures as to the amount of extra absenteeism after the pay day ?
A. No, I have not worked them out. I only went through the whole of the returns and noted it.

Q. When you get your monthly figures. But how do you get them for the days in particular after the pay is given ?
A. The mills were asked to put a red line under the day on which the men are paid.

Q. Would it be possible for you to give us some idea as to the amount of extra absenteeism after the pay day ?
A. We can give it to you. Would it do for one month ?

Q. For one year, to get some reliable idea. In any one month there may be some special reasons. Do you get it mill by mill ?
A. Yes ; we shall have to work three or four days before the pay day and three or four days after.

Q. We have got general variations. If you could give it for three or four days afterwards—make it even two days—just to show the amount of variation, it would help us.
A. Yes.

Q. We want to know what is the actual range of variation.
A. Yes, we can do that.

President.—There is only one *Cost of Living* point which arises about cost of living index, and that is that I take it you are not very satisfied with its correctness ?
A. It has defects.

Q. Are you reconstructing it on a more locally applicable basis ?
A. There are several methods of reconstruction before Government. I do not know which would be adopted, or if any will be adopted.

Q. The question is under consideration ? You are not in a position to state yet what the result will be ?
A. No.
Q. There is one other rather interesting point I notice in this, that six mills were working double shifts in 1921. There is, I think, only one mill now working double shifts in the Bombay Presidency and that is in Ahmedabad.

A. *Mr. Mehrban.*—I believe there is one in Bombay.
Q. Which one ? We have only heard of one in Ahmedabad, I do not think you will find one in Bombay.
A. I will find out.

Q. Please do so.

N.B.—It was subsequently reported that the mill was the Ruby Mill.

Witness No. 17

THE DIRECTOR OF INDUSTRIES, BOMBAY

Written Statement dated the 13th September 1926

In table IV of Mr. Bell's notes figures in millions of lbs. of yarn available for handlooms are given in column 4. This total is made up of Indian mill-made yarn as well as the of imported yarn. In table II, column 5, net consumption of imported yarn in India is given in millions of lbs. This includes coloured, mercerised and twist, etc., used by handlooms as well as by mills. It is not possible to find out how much of the imported yarn is used by the mills and how much by the handlooms, but as some of the mills have taken to producing fine dhoties, mulls, cambrics, lawns, fine shirting, etc., it may be safely assumed that 25 per cent. of the quantity of the imported yarn is used by mills.

2. The average annual quantity of imported yarn consumed in India during the last five years is only 48 million lbs. as given in column 5 of table II. Assuming 25 per cent. of this to have been used in the mills it leaves only 36 millions of lbs. for the handlooms. The average quantity of foreign as well as mill-made yarn available for handlooms for the same period is 297 million lbs., as given in table IV, column 4. Deducting from this 36 million lbs. of foreign yarn, 261 million lbs. of Indian mill-made yarn available for handlooms is obtained. The foreign yarn used by the handlooms is therefore about 12·1 per cent. of the total yarn used by them.

3. The handlooms, therefore, use about 88 per cent. of Indian mill-made yarn and only about 12 per cent. of foreign yarn. The foreign yarn used by the hand looms is mostly of counts above 30s which is used for high class fabrics such as fine sarees, dhoties, etc., worn by the better class of people.

4. A very large number of handloom weavers work for merchants who supply them with yarn and buy over their finished goods paying wages per piece. If therefore a heavy import duty is levied on all imported yarn it will not fall directly on handloom weavers as is assumed in paragraph 116 of the Report of the Indian Fiscal Commission, but the merchants who buy and supply foreign yarn to the handloom weavers and also take over their woven goods will adjust the selling price of the latter in accordance with the price of the foreign yarn available, and, as the woven goods made from foreign yarn are worn usually by well-to-do people the stress of the higher prices will not be very much felt.

5. The proposed enhanced import duty on yarn therefore is likely to affect only about 12 per cent. of the handloom products and the extra burden will ultimately fall on the consumers.

Witness No. 17

THE DIRECTOR OF INDUSTRIES, BOMBAY

Oral Evidence recorded at Bombay on the 27th October 1926

President.—How long have you been Director of Industries, Mr. Bharucha ?

A. Up to 1924 my designation was Assistant Director, but when the post of the Director of Industries was abolished in 1924 it was changed and I was styled Superintendent of Industries. Then the Legislative Council insisted on having an Indian Director. The post of the Director of Industries was therefore recreated in 1925, and I was appointed to hold it.

Q. How long have you been in the Industries Department ?

A. Six or seven years.

Q. Have you any special knowledge of the textile industry ?

A. Before I joined Government service I was in cotton mills for 16 or 17 years.

Q. In what capacity ?

A. Mill Manager and Engineer.

Q. In which mill ?

A. I was in the Punjab, in the Amritsar Cotton Mill, Mela Ram Cotton Mill, Lahore, and the Lahore Spinning and Weaving Mill. The last one was built by me.

Q. Which Amritsar Cotton Mill ?

A. The old one. I do not know what is the name at present. It was Wilson's.

Q. Bantkeshwar Cotton Mills ?

A. That might be the present name. In Ahmedabad also I worked for three or four years.

Q. Where ?

A. In the Rajnagar Spinning and Weaving Mill.

Q. It seems a pity in these circumstances that you have confined your evidence to the handloom weaving.

A. Since coming to this Department my chief work was in this connection.

Q. I gather from your note, Mr. Bharucha, that your general impression is that a higher import duty on yarn would make very little difference to the handloom weavers owing to the fact that handlooms use 88 per cent. of the Indian mill-made yarn and only 12 per cent. of foreign yarn ?

A. Yes.

Q. And that the foreign yarn they use is for goods of well-to-do people who can afford to pay more for them.

A. Yes.

Q. But if you were to put a higher duty on imported yarn, would not the whole object of such higher duty be to send up the price of Indian-made yarn, and therefore would not that affect the handloom weavers if they use 88 per cent. of Indian yarn ?

A. It will affect the general textile industry as well as the handlooms. There will be very little difference between the yarn sold to the handloom and the yarn sold to the others.

Q. I gather that your conclusion is that a higher duty on imported yarn would not affect the handloom weavers to a great extent.

A. Because only 12 per cent. of the imported yarn is used by handloom weavers, and that is above 30s.

Q. Are you not looking too much to the 12 per cent. of the imported yarn and not at the 88 per cent. of the Indian-made yarn ? The object of putting on a higher duty on imported yarn is to send up the price of the Indian mill-made yarn, which the weavers use to the extent of 88 per cent. of their total requirements.

A. The general effect would be to increase the price of cloth and I think people will come forward to support their own industry by paying about half an anna or one anna more per yard. In the boom time the price was higher, Rs. 2 or Rs. 2-8-0 per lb. and yet nobody complained. Now the price is about a rupee per lb.

Q. You definitely say that the proposed import duty on yarn will affect only about 12 per cent. of the handloom products ? Would it not affect the whole of the handloom products ?

A. No, because side by side with the mill cloth the handloom cloth will also be sold at a higher price on account of the higher price of yarn.

Q. I do not quite understand your position. In one place, you say that the increased import duty on yarn would not affect the handloom products and in another place you say it is bound to affect the whole of the textile industry and therefore it must affect the handloom industry ?

A. It will affect the handloom industry as well as the cotton mill. There will not be any difference between the effect on the handloom and the effect on the textile industry. It will be a general effect. It will perhaps result in increasing the price of cloth to a certain extent but that will be very little, hardly about half an anna per yard.

Q. Quite so.

A. That will not debar people from wearing cloth, either handloom or mill-made.

Q. What I am trying to get at is this. You say an import duty on yarn would only affect 12 per cent. of the handloom products. It must affect the whole of it if it sends up the price of cloth ?

A. Here I am talking of the imports of foreign yarn only, the import duty on foreign yarn of which only 12 per cent. is used by the handloom. The answer is quite to the point. I think your question is No. 113 where you ask "what would be the effect on the handloom industry of the increase in duty on imported yarn ?" So I say there will be hardly any effect on the handloom industry because the handloom industry only uses 12 per cent. of the imported yarn, and that is only the higher counts of yarn. If there is any hardship it will be felt by the well-to-do people. The general effect will be of course to increase the price of cloth to some extent. But then there will be internal competition at the same time and eventually the prices will be reduced. At present the cloth sold at Re. 1 per lb. by the mills is actually sold in the bazaar at Rs. 1-12-0 per lb. Lately I purchased a pair of sheets, only last month, and it cost me Rs. 3-8-0 a pair. I weighed those sheets in my house and they weighed 2 lbs. Retailers are making 60 or more than 60 per cent. profit on cloth even at present though there is no boom time now and the actual consumers have no idea of what the price is at which the cloth ought to be sold in the bazaar.

Mr. Majmudar.—Were they grey sheets or bleached ?

A. It was grey, not bleached—grey ordinary bed sheets. I purchased from a reliable dealer in the bazaar. The price was Rs. 3-8-0 a pair.

Mr. Subba Rao.—What is the conclusion you draw ?

A. That retailers actually make about 60 to 70 per cent. profit. If the price is ultimately increased then the retailers will have to bring down their price in order to push the sales.

President.—Your point of view seems to be, Mr. Bharucha, that if an import duty is placed on yarn and piecegoods it would come out of the retailers' pockets.

A. Yes, to some extent; at least to the extent of the duty imposed. And that could be easily done, and very well done.

Q. Has any census been taken of the handlooms in this Presidency ?

A. I have roughly made an estimate which I submit herewith. There are about 30 lakhs of handlooms in this country.

Mr. Subba Rao.—In the whole of India ?

A. Yes.

President.—You probably know, Mr. Bharucha, that mills which have only a spinning department are at present in a considerably worse position than those which have both weaving and spinning. The yarn market in other words is much more dead than the cloth market, and presumably that is due to the entire absence of demand from the handloom industry. To what do you attribute that ?

A. Perhaps that is on account of the purchasing power of the ryots being reduced.

Q. Why has the purchasing power of the ryot diminished ?

A. In comparison with the expenses, specially of labour, they do not earn enough. The ryots are about 85 to 90 per cent. of the total population as it is estimated. The demand depends on the purchasing power of the ryots. If the ryots do not get sufficient money for their purchases, there is less purchase in the bazar, and when there is less purchase in the bazar everybody has to suffer; even the clerks and everybody else suffers, because everybody earns less and the actual revenue of the whole country is reduced.

Q. There has been a succession of good monsoons ?

A. Yes, but the effect will be seen next year.

Q. You have been having good monsoons for the last few years ?

A. There was the problem of exchange also. That was also responsible for this.

Q. Do you consider that the ryot is paying more in wages for his labour now than he used to do ?

A. Yes, they do to some extent. They feel sometimes the scarcity of labour. In some districts specially there is a real scarcity of labour when the crop is ready.

Q. How many handloom weavers work for themselves and how many for merchants ?

A. I have no idea. I think a large portion of these handloom weavers work for merchants. For instance, in Sholapur alone, there is one Mr. Irabati who has got three or four hundred looms. He supplies yarn and looms to weavers and they work for wages. This system is in vogue in several other places also.

Raja Hari Kishan Kaul.—You say the demand for yarn from the handlooms is smaller because of the reduced power of the ryot to buy. Has the substitution of imported yarn for local made yarn anything to do with it ? The handloom weaver is going in more for finer counts and taking imported yarn ? Has that anything to do with the absence of demand for Indian yarn ?

A. No. The handlooms use only 10 to 16 per cent. of imported yarn, and that is used for cloth used by well-to-do persons.

Q. Are you able to say whether the proportion of imported yarn consumed by the handlooms is increasing or not ?

A. No, I am not able to say. Mine is simply a rough estimate, because I tried to get some idea of the imported yarn used by the mills but the Secretary of the Millowners' Association informed me that he had no figures.

Q. Are you aware that in the market, certain counts of imported yarn which are purchased by the handloom weavers are cheaper than similar counts of Indian yarn? The imported goods are cheaper in those counts than the local ones. In fact, the complaint is that the mills cannot sell those counts of yarn at the rates at which the imported yarns are sold.

A. Yes, mostly Japanese yarn. In our weaving schools also sometimes we prefer—rather some of our students prefer—to use Japanese yarn on account of its cheapness.

Q. Would that account to some extent for this deadlock in the yarn market ?

A. Yes, perhaps that also accounts for the deadlock in the yarn market because a larger quantity of imported yarn is now used.

Q. Unfortunately your estimate of the percentage of imported yarn used by the handloom weavers is a mere guess ?

A. Yes, it is a mere guess.

Q. And you have got no reliable estimate from year to year ?

A. No, it is impossible to make one.

Q. You could not say definitely whether imported yarn was being substituted for the locally made yarn ?

A. No. Even taking into consideration that the whole of the imported yarn is used by handlooms it means only about 16 per cent. of their total consumption.

Q. It was 12 per cent. three years ago and it is 16 per cent. now ? That makes a great deal of difference ? You are not in a position to say that definitely ?

A. No such small fluctuation may occur annually in a large country like this.

Q. As regards the merchants who supply yarn to weavers and pay them wages, any additional duty will according to you fall on the merchants. But these merchants will not pay it out of their pockets. I suppose they will pass it on to the consumer ?

A. Exactly, they will.

Q. Therefore although the weaver would not suffer the consumer would ?

A. Yes, and the consumers are well-to-do persons.

Q. That is in respect of the 12 per cent. only.

A. Yes.

Q. In respect of the rest the consumers are poor people ?

A. Yes.

Q. The coarser counts which they weave are supplied to the poorer people and any rise in the price of cloth of coarser counts is bound to increase the cost to the consumer belonging to the poorer classes ?

A. Yes, but to a small extent, about half an anna per yard.

Q. You speak only from the point of view of the weaver. You say if the price of yarn rises on account of the duty the price of cloth will also rise and therefore the margin will remain practically the same so far as the weaver is concerned. But so far as the consumer of the coarser counts is concerned the burden will increase to some extent ?

A. Yes. It will to some extent.

Q. It may not be to the full extent of the duty. It may be something less but it will increase ? I understood you to say that it will be temporary and in course of time it will disappear ?

A. Yes, on account of the internal competition and also on account of the retailers bringing down the prices in order to push the sale.

Q. Does that remark of yours apply to mill-made cloth as well as to handloom cloth ?

A. Yes.

Q. You think even in handloom cloth the retailers are making large profits ?

A. Yes, they do.

Q. You think there is plenty of margin for absorbing this additional burden ?

A. Yes.

Q. You think they will be content with less. Ordinarily a merchant when he is accustomed to charging a certain percentage sticks to that and whatever comes he passes on the additional burden to the consumer ?

A. If he finds the market is slack, he is bound to reduce the price. Instead of making 60 or 70 per cent. he will perhaps make only 40 per cent.

Q. In all lines of cloth ?

A. Certainly.

Q. Perhaps the shopkeeper from whom you purchased the bed sheets thought you were a big man and so charged you a big price ?

A. At the shop I purchased they were all marked prices.

President.—Was there anything to show what mill they came from ?

A. It was the Spring Mills.

Mr. Majmudar.—I believe you could have got them cheaper at the Swadeshi Stores ?

A. I think they also charge about the same. They said they have to add 40 per cent. for their expenses and high rent and so on in Bombay. I do not know how far that is true.

Raja Hari Kishan Kaul.—That is peculiar to Bombay ?

A. Yes, it is peculiar to Bombay.

Q. In other places they do not perhaps add 40 per cent. ?

A. Perhaps not.

Q. And the margin may be very much smaller ?

A. Not very much smaller. But I think these retail merchants are not making less than 25 or 30 per cent. profit.

Mr. Subba Rao.—I did not quite catch your point about the effect of the imported yarn on the yarn market just now. You speak of a deadlock in the yarn market, because the imported yarn was coming in. Did I catch you rightly ?

A. I said also that perhaps the ryot's purchasing power had been greatly reduced.

Q. You spoke of the deadlock in the yarn market or depression in the yarn market as being due to the imports of yarn from abroad. I want to know whether it is due to the amount of imported yarn that the market is reduced for the local made yarn, or is it due to the fact that this imported yarn is sold at a much lower price than the local yarn can be sold at ? Which is the cause of the depression in the yarn market—the amount of foreign yarn or the price at which it is sold ?

A. I did not say that the depression was due only to the importing of foreign yarn. Some counts of imported yarn, especially Japanese, are certainly being sold in Bombay at a price much lower than the price at which the Bombay mill-made yarn is sold and that has given some impetus to the handloom weavers to use imported yarn.

Q. But what is the effect on the local yarn market ?

A. The effect is that the handloom weavers specially prefer the imported yarn to mill-made yarn as far as possible.

Q. And that would affect the price of the mill-made yarn ?

A. Certainly.

Q. Although the imported yarn is small in quantity, the fact that it is sold at a lower price brings down the price of the home-made yarn. Is not that so ?

A. Yes.

Q. Now, would not that apply in the other case also ? When the price of imported yarn goes up because of the import duty, would there not be a corresponding rise in the price of the mill-made yarn ?

A. Certainly.

Q. Therefore the enhanced duty cannot affect only 12 per cent. of the handloom products but must affect all the products which are made whether from foreign yarn or from home-made yarn ?

A. Yes.

Q. The duty must affect prices all round ?

A. Yes, the whole of India of course.

Q. To what extent is there competition between mill-made products and the products of the hand-looms ? I am speaking only of cotton goods.

A. There is not much competition. I have explained that in the foreword of my Bulletin No. 6, proof copies of which I have submitted.

Q. Could you briefly say now what it is ?

A. There are some specialised goods which are not produced by the mills on the mass production system. As for instance one kind of goods, specially saris, some Sholapur mills have taken to producing on power looms. But the people still prefer the handloom make on account of the special feel of the cloth which is produced on the handloom, and there is a prejudice against the mill cloth amongst the users as the mill cloth is heavily sized and people think it is less durable than the hand-made cloth. Then again the hand weaver can produce designs and variations in his product to a very large extent. He can accept an order for 100 saris of different patterns on account of his warp being very short in length. It is about 25 to 30 yards only, and if a dealer in saris places an order for 100 saris the handloom weaver could easily accept it and weave them of various designs. At the time of preparing the warp he simply embodies various designs according to the taste of the consumer and he can easily dispose of his goods. This is not possible on the mass production system. The warp beam which is placed behind the loom in a mill contains about 800 yards and several hundreds of warp beams are required to be made to produce only one kind of cloth. There are various other reasons also.

Q. The question of catering to small buyers and their tastes—that is the most important ?

A. Yes, I have explained that in the Bulletin.

Q. There is no difference as regards the count of yarn used ?

A. No.

Q. For example, Mr. Bell in his note submitted to the Fiscal Commission says, " The handloom weavers compete successfully with the mills not merely in the production of fine fabrics but also in the output of the coarse counts, and it is in the weaving of the medium counts that the mill competition is mostly felt." The suggestion is that there is competition as regards the medium counts but not as regards either fine counts or coarser counts.

A. The Mills compete with the handloom weavers in the cloth made from medium counts of from 16s to 20s or even up to 24s, because such cloth like dhoties, sheetings, shirtings, etc., are produced by mills on the mass production system in very large quantities and offered at a very low price, at which it would never pay to manufacture on handlooms. The mill cloth of medium counts is also often calendered and presents a better appearance than the similar cloth made on a handloom. The mill cloth is invariably made of sized warp and as it is sold by weight wholesale, the weight of residual size in the cloth goes to profit. The hand sizing process of a hand weaver is very slow and laborious and in almost all cases where grey cloth of medium counts is to be woven on handlooms the weaver prefers to buy and use twisted or doubled yarn for warp instead of using single yarn which cannot be used unless properly sized. As for instance, instead of using single warp of 16s he prefers 32s twisted or doubled, and uses it unsized to save his trouble. The latter is of course more expensive than single 16s, but has greater strength and stands better the rough handling of reeds and healds of a loom. Owing to this difficulty of sizing and using single yarn warp and then competing with mill-made similar cloth made on the mass production system the handloom weaver prefers to weave only those kinds in which there is no competition from the mills. These are either cloth made of very low counts such as khadi, doongri, guddars, etc., or of very high counts like fine saris, dhoties, turban cloth, etc. The mills do not care to produce khadi and doongri which require very low counts of yarn made from inferior cotton and in which there is less margin of profit, and they do not care to produce very fine and high class fabrics for reasons given in my Foreword in Bulletin No. 6.

Mr. Majmudar.—Are the saris manufactured by handloom weavers of different counts from the saris that are manufactured by the mills or are they of the same counts ?

A. I have not examined them critically.

Q. Do the handloom weavers purchase Japanese yarn simply because of its cheapness or because they find that yarn superior to the Indian and English yarn ?

A. On account of its cheapness and also of its superiority in test.

Q. As compared with the Indian yarn ?

A. Yes, as compared with the Indian yarn.

Q. What is the position as compared with the English yarn ?

A. Of course the Japanese yarn is inferior to the English yarn and being cheaper, preference is given to the Japanese yarn by the handloom weavers.

President.—In his monograph by Mr. Bell there is a reference to the exports of Madras shawls and handkerchiefs. Are those made in this Presidency ?

A. No. They are not made in this Presidency. The handkerchiefs are peculiar to Madras.

Q. As regards the handloom industry, I do not think there are any more questions to ask. The only point left is whether from your experience of the textile industry you care to express any views on the general questions raised in our Questionnaire.

A. I am ready to answer any questions which you may put. I have not gone through the Questionnaire yet.

Q. I think you have been following the evidence coming before us. You know roughly what sort of questions we have been asking.

A. I shall try to answer according to the best of my knowledge any questions which you may put and help you in your deliberations.

Q. It will be rather a lengthy business roaming over the whole field of the enquiry. I think the best plan would be if you could give us your views on any special point which may strike you. We have got a great amount of general evidence.

A. I do not know on what points I should give evidence. Because, being a Government servant, my position is rather peculiar.

Q. That is the point really, whether as Director of Industries, you care to express any general views.

A. It is rather a controversial matter. If Government servants are left out, it is much better. As a private person I should like to express my views on various aspects of the cotton industry ; but my position is rather peculiar.

Q. In these circumstances, we will not examine you further.

ANNEXURE A

In the last Census Report for 1921, Vol. 1, Part I, page 270, it is stated that an attempt to take a census of handlooms in this country was not successful, but the figures available for some provinces are given as follows :—

Ajmere-Merwara	1,587
Assam	4,21,367
Bengal	2,13,886
Bihar and Orissa	1,64,592
Burma	4,79,637
Delhi	1,067
Madras	1,69,403
Punjab	2,70,507
Baroda State	10,851
Hyderabad State	1,15,434
Rajputana Agency	89,741
	19,38,072

Figures for Bombay Presidency, Central Provinces, United Provinces, North-West Frontier Provinces, Mysore, Kashmir, Baluchistan, Kathiawar, etc., are not available.

Taking all these provinces into consideration the total number of handlooms in India may safely be estimated between 25 and 30 lakhs.

These handlooms are not kept working continuously for eight or ten hours per day regularly throughout the year. A large number of hand weavers are also agriculturists and weave only during off-season. Similarly hand weaving is carried on as a spare time occupation by many people. A hand weaver has also to devote much of his time in the preparatory processes of hand weaving such as winding, warping, and sizing, etc., which are very laborious. In many cases, however, the weaver is helped by his family members which enables him to keep his loom at work for longer hours.

Taking all these facts into consideration the output of a handloom cannot be more than 150 lbs. of cloth per year. The average total quantity of yarn (mill-made and foreign) available for handlooms in this country is 30 crores of lbs. annually, which, at the rate of 150 lbs. of cloth per loom per year, can keep 20,00,000 looms at work, and the balance can be accounted for by hand spun yarn (which is still produced in considerable quantity) silk and wool.

Witness No. 18

THE DIRECTOR OF AGRICULTURE, BOMBAY

Written Statement dated the 13th September 1926

I have the honour to acknowledge receipt of Government Memorandum No. 6722-A—24 of August 18th, 1926, asking my opinion regarding the possible effect of an export duty on cotton.

As Indian cotton is not the factor which controls price to any large extent in the overseas markets, even for the types of cotton which are the speciality of India in these markets, I do not think that an export duty would be likely to be in any sense paid by the consumers abroad. It would, in fact, only restrict the market, without any compensatory advantage from the actual producer's point of view. I put this view forward with diffidence, because it is so purely a matter of opinion, but it seems clear nevertheless.

I should therefore expect that an export duty would be almost entirely paid by the producer, in the sense that it would operate, to the extent to which it restricted export, in a reduction of the price paid to the cotton growers, and so would be a contribution from the cotton growers to the cotton manufacturers, including hand weavers. This would happen unless the area is reduced to the extent to which restriction of export caused a fall in price.

We have, therefore, to consider two questions (1) Will there be a fall in area if an export duty is imposed ? (2) Can the cotton growers afford to subsidise the cotton manufacture in this way ?

1. Will there be a fall in area if an export duty is imposed ? We appear to be at present on the edge of a period of low prices for raw cotton. The prices now being paid are lower than for a number of years and there is already a tendency to restrict area in the Bombay Presidency. The figures for the present year are not yet available, and this is the first year in which the tendency is likely to be seen. But from what I have in hand, there is a reduction in area in Khandesh, and in Sind, though this last is chiefly due to other causes. For Gujarat and the Karnatak I have no reliable figures. But the *present* prices *are* likely to restrict area in the Bombay Presidency and if they fall further (as is likely) then I feel certain that a considerable further fall in area will result. The effect of the fall of prices in 1914 was not got over for a number of years.

If this fall takes place, cotton will be replaced to a limited extent by the equally valuable crop of groundnuts particularly in Khandesh. Apart from this the tendency will be to replace it by the much less valuable grain crops (*Jowar* and *Bajri*).

An export duty will, therefore, tend to emphasise in the Bombay Presidency, the present (1926) tendency to reduce the cotton area.

2. Can the cotton growers afford to subsidise the cotton manufacturers in this way ?— Since the recovery from the slump of 1914, cotton growing has been profitable, but it has become less and less profitable in recent years. The peasant cultivator, who employs the minimum of labour, has suffered least, but, with rising wages and lowering prices, the margin of profit in every case has become much lower and I do not think that there is sufficient margin to warrant a subsidy from the grower to the manufacturer. With a substantial import duty on cloth (which will reflect itself in local prices) which a cultivator must buy, and with an export duty on cotton which he must sell, the cotton grower would, I feel, be mulcted at both ends. I am emphatically therefore against an export duty on cotton.

As regards Question 117, I am inclined to feel that any export duty would cause the replacement of Indian by American cotton in overseas market, almost to the extent that the price is raised. The Indian cotton is used because it is cheaper not (except in a few cases) for its intrinsic advantage.

Witness No. 19

Mr. D. M. AMALSAD, TEXTILE EXPERT, GOVERNMENT OF MADRAS

Written Statement dated 23rd September 1926

The mere fact that the products of the hand looms do not compete to any great extent with the mill-made goods, or that the consumption of yarn by hand loom weavers has not shown a marked fall, except during the period of the great war, is not by itself a sufficient indication that the cottage industry is flourishing side by side with power mills, in the sense that the earnings derived from weaving are enough to keep the hand loom weaver and his family above want. The quantity of yarns consumed by the hand loom weavers in this Presidency is approximately estimated at 60 million pounds (lbs.) pe annum. This figure may represent more or less the pre-war level, but some allowance should be made for yarns employed in the manufacture of woollen pile carpets, durries, hosiery, etc According to the census reports the number of hand loom weavers has declined. This, in my opinion, indicates that the industry does not sufficiently support those dependent entirely upon it. The fall in the number of hand looms at work amongst caste weavers is compensated for to some extent by the establishment of a number of looms in vocational and industrial schools throughout the Presidency by criminal settlements, Borstal institutes, reformatory schools, jails and by Adi-Dravidas taking to weaving. But a far more important factor in keeping up the level of yarn consumption is the general adoption of the fly shuttle slay due to the intensive propaganda carried on by the Industries Department of this Presidency whereby the output of the loom has almost doubled. The progressive employment of long sized warps wound on weaver's beams is also another factor. It is hardly possible to obtain from a perusal of the census reports even an approximate indication of the position and general economic condition of the textile cottage workers. A minority of the weaving class, which during a portion of the year combines agriculture or other remunerative work with the traditional occupation of weaving, may manage to make both ends meet, but the economic condition of the mass of weavers who entirely depend upon weaving and weaving only can hardly be said to be satisfactory. The reason is that the margin of profit between the cost of yarn and selling price of cloth varies greatly and this item which represents the weaver's wage, has been further appreciably reduced in recent years owing to mill competition whilst such products which mills do not or cannot compete with, possess only a limited demand and do not therefore offer continuity of employment. The hand loom problem is admittedly one of the many complicated industrial problems. There is a limit beyond which improvement on the hand loom cannot be effected. This stage is being reached, as the results of the attempts made by the Department of Industries. Even women and boys have taken to weaving as it is more remunerative than the crude and laborious preparation of yarns for the loom. The time has come for taking the next step in the formation of an efficient organisation for marketing the produce of the hand loom weaver. Securing continuity of work for the weaver is but a part of the problem of marketing, and efficient marketing depends to a large extent on effecting a reduction in the price of hand made goods. Thus the present crisis in the power trade has had its counter-part in the hand loom trade for many years. I am not against the grant of such concessions to the mill owners as may enable the mills to operate satisfactorily and to reduce their cost of production so as to withstand Japanese competition, but it is only fair and it is even essential that such concessions should not further cripple the hand loom weaving industry. The general belief in the superiority of the indigenous method of dyeing and of hand woven cloths to mill-made goods cannot hope to last long as an economic factor in their favour. It is therefore of importance that if the hand loom industry should be placed on a commercial footing the hand loom should become a commercial weaving machine capable of giving a living wage. This can only be done if the loom is supplied with properly prepared material at a favourable price. The bulk of the Indian mill-made yarns available to the hand loom weaver is of an inferior quality and involves considerable loss of time, labour and careful handling to the hand loom weaver. The question of securing yarns of counts ranging from 12*s* to 120*s* in suitable form of correct length and breaking strength and at a price which will help the weaver to produce his cloth cheap and will afford him a living wage appears to be the crux of the hand loom weaving problem in Southern India. For these reasons, I am not in favour of enhancing the present rate of duty on imported yarns as this will constitute a further handicap on the cottage industry. On the other hand, I am of opinion that the removal of the present *ad valorem* duty of 5 per cent. which is a burden to the weaver will help to improve the condition of the hand loom weaving industry and subsidiary manufactures. The system of fixing the value on imported yarns for purposes of levying the duty is not free from occasional abuse. The bulk of the imported yarns consumed by hand loom weavers is of fine and superfine counts and the tendency of the weaver is to produce finer goods with a view to avoiding direct competition with Indian mill-made cloths. I am however

not against the enhancing of import duty on cloth to an extent which would not unnecessarily raise the price of cloth to the consumer. As regards customs duty levied on hand loom weaving appliances and accessories and dyes, I consider that it should likewise be abolished with a view to enabling the hand loom weavers to employ brass reeds and machine knitted healds so as to improve the texture of hand made cloth, and Jacquard machines, to replace the crude method of draw boy harness employed in the production of figured dhoties, angavastrams and saree borders. A reduction in railway freights will doubtless be of great assistance to the industry.

Witness No. 19

Mr. D. M. AMALSAD, TEXTILE EXPERT, GOVERNMENT OF MADRAS

Oral Evidence recorded at Madras on the 23rd September 1926

President.—I take it, Mr. Amalsad, that the note from the Director of Industries was drafted by you and represents your views ?

Mr. Amalsad.—I assisted the Director in preparing the note which represents my views also. At the same time I would like to present to you now a brief statement regarding the economic condition of the handloom weaving industry in this Presidency in relation to mill industry.

Q. How long have you been Textile Expert to the Government of Madras ?
A. Since August 1919.

Q. What was your previous experience ?
A. My practical experience in cotton mills extends over a period of eleven years. I served in the weaving department of Tata's Empress Mills, Nagpur, where my training began, and in Binny's Buckingham Mills, Madras, both in the ordinary and Northrop weaving sheds. In 1914 I proceeded to England and during my stay of five years I studied in the Manchester College of Technology of which I am an Associate. I served in various cotton spinning and weaving mills in Burnley and Radcliffe. I specialised also in the manufacture of coloured goods at Emmot Stuttard and Sons, Radcliffe. Then, in Ireland I obtained practical training in running the dresser sizing plant, which is employed for sizing fine and superfine counts of yarn.

Q. You are in charge of the Government Textile Institute, Madras ?
A. Yes.

Q. Is the Textile Institute solely intended to promote the interests of the handloom weaving industry ?
A. Yes.

Q. You do not train apprentices for work in the mills ?
A. No. We have however a power loom in the Institute driven by electric motor and a power warp preparation plant for manufacture and distribution of sized warps. If a student can find at least Rs. 400 for a loom and Rs. 200 for the electric motor in addition to the initial running expenditure he will be able to run a power loom instead of a handloom, as is done in Bangalore.

Q. You will understand that we are not enquiring into the condition of the handloom industry in India. Our enquiry is solely directed to the condition of the mill industry. We are only concerned with the handloom industry so far as its competition affects the prosperity of the mill industry.
A. Yes.

Q. What we really want is your general view as to whether there has been any increase or decrease in the competition of the handloom industry with the mill industry in recent years.
A. There has been an increase in competition in recent years. For example, some years ago coarse cloth was the monopoly of the handloom weavers in village shandies. Now I find that coarse cloth as well as medium counts cloth made by the mills is competing with handloom cloth in rural tracts. I will give a concrete example. In the shandies of Ichapur and Berhampore in the Ganjam district I now find increasing quantities of mill cloths and dhoties. I also find Japanese plain grey cloth locally dyed or printed. These varieties compete with handloom products ; hence handloom weavers are gradually taking to finer counts.

Q. Have you noticed Japanese dhoties coming into this Presidency ?
A. Not much of medium but of fine quality.

Q. What are lungis or kailis used for and what is the difference between kailis and handkerchiefs ?
A. Lungis are practically used as dhoties. Although South Arcot, Kumbakonam, Tanjore and Trichinopoly are silk weaving centres they also manufacture cotton lungis. These are coloured cloths. (The witness atthis stage exhibited to the members of the Board specimens of lungis and Madras coloured handkerchiefs.) They are coloured both in warp and weft. Trade in kailis or lungis has specially developed in Cuddalore whence they

are exported to Penang and the Straits Settlements. Emigrants from here who have gone to those places show a preference for these coloured cloths. The Madras handkerchiefs go to East Africa. It is very difficult to produce handkerchiefs on the power looms. The peculiarity of these coloured cloths is that the grey weft absorbs certain colours from the warp which is sized with superfluous dye and kept moist and naturally the weft absorbs the colour and solid effects are produced on the cloth. The weft is woven wet so as to absorb the colour. The cloth contains 128 picks per inch, and it is very difficult to put in 128 picks with 60s warp and 40s weft, on the power loom. Attempts to produce these cloths in mills on the continent and in Lancashire have met with a measure of success. But the cost of producing them is 25 per cent. higher than the price at which they are produced on handlooms. There is a very large export trade in these varieties of handloom cloth.

Q. What is the export trade ?

A. The export trade in these cloths amounted in 1923-24 to about 38 million yards valued at Rs. 245 lakhs per annum. I have given you a statement of that.

Q. Where did you get the figures from ?

A. From the annual statement of the Sea-Borne Trade and Navigation of the Madras Presidency published by the Collector of Customs.

Q. Are they shown separately ?

A. They are shown separately.

Q. Under what head ?

A. Under handkerchiefs and shawls, kailis and lungis.

Q. Are they all handwoven?

A. Yes, with the exception of a small quantity.

Q. Are you sure ?

A. Yes.

Q. How many lakhs a year ?

A. About Rs. 193 lakhs on an average.

Q. Are they exported direct from here ?

A. All Madras handkerchiefs are exported from Madras Port.

Q. Where to ?

A. To London and Manchester. They are shipped from there to East Africa.

Q. I see lungis and sarees are exported from Cuddalore, Porto Novo and Negapatam, and also from Madras. You say that these lungis and sarees are the products of Madras handlooms ?

A. Yes. There are no power loom weaving mills in Madras Presidency producing them except Binny's Mills at Madras which produce a small quantity of a coarse variety of lungis. Generally on the power loom it is impossible to get the bleeding effect on handkerchiefs which is obtained on the handlooms by moistening the warp during weaving so that the weft might absorb the colour.

Q. We have been told, in the course of previous evidence, that the handloom weavers use coarse yarn and very fine yarn only and not the medium counts, so that there is practically no competition between handlooms and the mills in the case of medium count cloth. Is that your view ?

A. That is not true.

Q. What counts do handloom weavers in this Presidency mostly use ?

A. 20s, 30s, 40s and 60s in bulk, and 80s and 120s for *anyavastrams* chiefly in Salem, Tanjore and Madura. They use especially 12s to 20s, for cloth in demand by poor agriculturists. From the statistics I am not able to say what quantity of 20s is consumed by handloom weavers. By calculation, we may find out indirectly what amount of yarn is consumed annually, but not in respect of each count.

Q. Anything below 12s ?

A. Not much for wearing apparel.

Q. Very much between 12s and 20s ?

A. To an appreciable extent. For example, in the Northern Circars there are something like 20 thousand looms which are using 16s to 20s and in Berhampore taluk there are about 800 looms working on these counts.

Q. Where do the handloom weavers generally get their yarn from ?

A. From local merchants who get it from Madras mainly ; and some from Calcutta.

Q. Is it mill yarn or imported yarn ?

A. Mill yarn as well as imported yarn.

Q. What counts of imported yarn ?

A. Largely 31s to 40s and above. As regards Japanese 60s, it does not suit lungis and handkerchiefs as the yarn is not sufficiently strong.

Q. What about 30s ?

A. That is also imported from Japan. It is used in Conjeeveram and other places for cloths which are printed with handblocks.

Q. 20s and below ?

A. Mostly Indian mill yarn.

Q. In these circumstances, are you in favour of any increase in the import duty on yarn?

A. No, Sir. I am not for increasing the import duty on yarn.

Q. Would you like to see the present 5 per cent. duty removed ?

A. Yes.

Q. Do you think that the 5 per cent. has really made any difference to the handloom weaver ?

A. Yes. The earning capacity of a handloom weaver depends upon the difference between the selling price of his cloth and the cost of yarn. If the price of yarn goes up his wages are cut down. If we can show some concession to the weaver by removing the duty, he will get a better wage than he is earning to-day.

Q Is not the handloom weaver making a profit now ?

A. Hardly, but for the fly shuttle slay.

Q. How much does he earn a day ?

A. He can weave ten yards of cloth per day, of 20s warp and weft, and on an average earn about one anna per yard of cloth. If he could earn regularly one anna per yard throughout the year, he would be quite satisfied. At present, after he has woven at the most 30 yards he stops weaving and goes out hawking to dispose of his cloth and often for many days without finding a purchaser. At last he parts with his burden to a sowcar. Another point is that the yarn supplied by the Indian mills is not always of reputed count. I have made many tests of Japanese and Indian mill yarns as to their reputed counts and tensile strength and I find that most of the Indian mill yarns supplied to handloom weavers do not so well stand the strain during weaving. The handloom weaver is therefore forced to adopt the primitive system of warping and sizing, which is very laborious, in order to make the yarn stand the strain during weaving.

Q. Your point is that the imported yarn, say 30s, is more a real 30s than the mill made yarn ?

A. Yes.

Q. In other words that the imported yarn is a better yarn than the same kind made by Indian mills ?

A. Made in most of the Indian mills. But there are some exceptions.

Q. What is the result of your tests ?

A. Imported yarns are sometimes inferior to Binny's Madras. In most cases imported yarn is superior to Indian mill yarn. The analysis of my tests shows that the lea-break of Indian mill yarn averages between 65 lbs. to 70 lbs. as against 80 lbs. Secondly, they are short reeled yarns, that is, when for 20s we expect 20 hanks to the pound it turns out to be less. The count is not always 20s. What they sell in the market as 20s is generally 18s. The result is the weavers get two hanks short for every pound. That is why the handloom weaver prefers the system of buying only straight reeled yarn so that when he examines the number of threads contained in the lea he may find out whether the yarn is short reeled or correctly reeled. The Indian mills for their own use in power looms adopt cross or diamond reeling which is a better system. All imported yarn is straight reeled. Binny's also adopt straight reeling for marketing. In a cross-reeled hank no such easy test is possible. A short reeled hank does not contain 80 threads per lea but only 72 or 74 and the weaver goes on changing brand after brand. I find in the tests made of imported yarns that they are correct in counts and length, and have a better tensile strength.

Mr. Majmudar.—You say that most of the Indian mill yarn is not strong enough. Is not Indian mill yarn good ?

A. The yarn made available to the handloom weavers is not suitable for warp, although the mills are able to produce better yarn for themselves when they use it in their weaving sheds.

Q. What I would like to know is whether you have tested yarns spun in the Madras Presidency only or whether you have tested those spun in the Bombay Presidency also ?

A. My tests are mostly confined to mills in the Madras Presidency.

Q. You have not tested any of the Bombay yarns ?

A. I tested them some years ago. Of course a good quantity of Bombay yarn is consumed here.

Q. And you find it weak ?

A. It is too weak to bear the warp test.

Q. Then about short reeling. Can that not be prevented by taking action against the mills ?

A. I have known instances where bales of Indian mill yarns have been returned from China. Short reeling can be prevented by providing reels with automatic single thread stop motion and if the reelers stop the reel in proper time. The common practice is to throw away loose ends without piecing broken threads. Naturally, while one is attending to 40 spindles, it is too late to make up for the shortage when some of the bobbins get empty simultaneously.

Q. Are the imported yarns straight reeled ?

A. Yes ; they are all straight reeled.

Q. How is it that the hand loom weavers do not go in for cross reeled yarn ?

A. We are trying to push on the use of cross reeled yarns. For half a century the people have become accustomed to taking straight reeled yarns. As you are aware cross reeling makes less waste. It is also good for the purposes of dyeing and for the subsequent processes of winding. But if you put cross reels on the market, they may not sell.

Q. Is it true that the weavers find very little waste when it is cross reeled yarn ?

A. We find it is so. When we recommend cross reeled yarns, we are able to prove to them that these make less waste.

Q. Certain weavers at certain places tried the cross reeled yarn and they could not handle it easily ?

A. Probably they could not mount the hanks properly on swifts. We find no difficulty in winding cross reeled hanks in the mills. So far as the mills are concerned, they are going in for cross reel but the hand-loom weavers still prefer straight reel, although in a straight reel we cannot easily find the broken thread.

Q. But their experience is the other way. They say that it is easier to find it in the case of a straight reeled yarn than in the case of the cross reeled yarn.

A. I do not know, Sir. Practically all the mills go in for cross reeled yarns. I have also shown cross reeled hanks to a number of yarn merchants and they have so far only appreciated it.

Q. If in the case of imported yarns there is no complaint about short reeling, how is it that the hand loom weavers are not using imported cross reeled yarn ?

A. None of the manufacturers of imported yarn have attempted it. I have not come across a bundle of cross reeled imported grey yarn in Madras.

Q. Have you tried to introduce cross reeled yarns ?

A. I have shown it to the weavers, but we cannot force them to use it.

Q. So you think the cross reeled yarn has not become current, because it is not available in the market ?

A. If it is available, the weavers will take it, only if they have the confidence that they are not short reeled.

President.—Is it the fault of the mills or is it the fault of the middleman from whom these people buy that they are getting short weight ?

A. The middleman has nothing to do with it.

Q. Your statement is that they get short weight in mill yarn as against the imported yarn ?

A. They get the same weight, but it is made of short length. The weight does not differ. It is 10 lbs. for every bundle whether imported or supplied by Indian mills.

Q. If the weight is the same where does the disadvantage come in ?

A. Because we are getting 18s. We are not getting the correct count. If the count is 20s, then the yarn is not short reeled.

Q. But if the weight is 10 lbs. what difference does it make if the yarn is 17s or 20s ?

A. If it is 20s it is 20 times 840 yards to the pound. If it is 17, it is 17 × 840 yards to the pound. Naturally the weaver will produce less cloth.

Mr. Majmudar.—Have you heard of cases where cross reeled yarns have been sold at a lower price than the straight reeled yarns ?

A. I have never seen any cross reeled yarn being sold here. I have approached many a yarn dealer in the districts and nobody seems to know anything about the cross reeling.

Q. The experience on our side is that for cross reeled we get a lower price than for straight reeled yarn.

A. It may mean that the weaver is willing to take it at that rate; because he has no confidence that the cross reel will be of the correct length.

Q. It may be that or as I said it may be that he finds it difficult to handle.

A. We can easily overcome that. But it will take some time.

Q. What steps would you suggest in order to prevent the short reeled yarn coming into the market?

A. It is very difficult to prevent short reeled yarns from coming into the market. In mills where an operator has to mind 40 threads and especially when the reel is driven by power, it is impossible for him to attend to five broken threads at the same time. Unless the reel is provided with an automatic stop motion, the reel cannot stop.

Q. Are you referring to power reels? Does each reeler attend to 40 spindles?

A. Yes. Each attends to 35 or 40 spindles.

Q. They have not got the automatic stop motion?

A. No. The machine stops only when the 7 leas have been wound.

Q. In the case of the cross reel have they got it?

A. Do you refer to stop single thread motion?

Q. Yes?

A. I do not know of mills having that motion. The reel stops only when the 7 leas are wound.

Q. There are certain mills which have introduced the automatic stop motion reels for fine counts and in most of the cases two reelers attend to 40 spindles.

A. That does not necessarily prevent short reeling.

Q. If the mills are careful there would not be much of it?

A. There is nothing wrong with the mill management.

Q. If proper work is done there is no reason why the reeling should be short; the reelers do it to get a higher production?

A. Yes, because they are usually paid on piece work.

Q. So if the mills give a little higher rate of wages, short reeling would be reduced?

A. Pardon me, correct reeling depends upon the reeler's honesty.

Q. In the first place I take it that your complaint about short reeled yarn applies to Madras. Your complaint is about getting 17s instead of 20s. I want you to make that position clear.

A. Yes, it is so, so far as some mills in the Madras Presidency are concerned.

Q. Have you any experience of mills outside the Presidency?

A. Yes.

Q. Do the handloom weavers get their yarn from outside the Presidency?

A. In the Northern Circars they get some yarn from Calcutta, in the Ceded Districts from Bombay and other places. But much of the Bombay yarn does not go to the south of Madras.

Q. If they get 17s instead of 20s, that means carelessness on the part of the mills supplying yarn?

A. Yes.

Q. Is it your argument that that is a defect on the part of the reeling machinery or on the part of the reelers?

A. Reelers primarily. If they make up their mind to stop the machine at the proper time, there will be no short reeling. Most of the mills in India are not provided with automatic single thread stop motion.

President.—But I cannot understand how it could be the fault of the reeler that the weaver is getting 17s instead of 20s. I think it must be the fault of the mill.

A In order to preserve the weight of 10 lbs. to the bundle, the mills provide coarser yarn to make up for short reeling.

Q. But I cannot make out how they can sell 17s as 20s without definite knowledge on the part of the mill?

A. Millowners are equally to be blamed for giving coarser count which is cheaper to produce. You are quite right there. The millowners give a lower count for reeling to make up for the defect that is prevalent in the reeling department.

Mr. Majmudar.—Do you know that in some cases the mills subsequently make up the weight by extra length ?

A. Yes.

Q. The mills put in an additional quantity of yarn in order that the weight of the bundle may be exactly ten pounds.

A. Yes, that is why they are sending 20·5s.

Q. You agree that the mills are adopting this method to make up for short reeling that may be consequent upon the carelessness of the reelers.

A. Yes ; but not all.

Q. Does it remove your complaint to a large extent ?

A. Not to a very large extent, as the weaver seldom gets the benefit of the extra half hank. Even such yarns do not show the correct count on test.

Q. Your complaint is that the yarn coming out as 20s or 20·5s is not really that, but that it is possible for the mills to make yarn to the exact count if they have a mind to do it.

A. Yes.

Q. You know that the prices of yarn of various mills differ from one another, in some cases even to the extent of As. 8 a bundle ?

A. Yes, in some cases even more than that.

Q. This is due to the fact that the yarn which is reeled to the exact count commands a better price than the yarn which is not of the right count.

A. I do not know whether it has altogether to do with the count. It may also be due to the yarn being of a superior class. Where we pay Rs 7-8-0 against Rs. 7 we find that the breaking strength of the yarn is superior. After all, the yarn has to stand the strain during weaving and it is the single thread test which we take in judging the strength of the yarns. Such a test clearly proves that where we pay a little more, the twist is higher and the breaking strength greater. Therefore some weavers prefer to pay As. 4 or more for yarn which is stronger as they will ultimately gain greater production on the loom. They also pay a lower charge for sizing it. In villages, the charge is about 48 pies for sizing 1 lb. of yarn, but if the yarn is weak the charge may increase to 52 pies. There are certain brands of yarn which the sizer prefers.

Q. You say that the higher price is only due to the greater strength of the yarn. It has nothing to do with the length of the yarn ?

A. To both. The higher price is also due to the cleanliness and colour of the yarn.

Q. Have you heard of instances where a number of bales have been returned from some places because they were coarser than 20s.

A. From what place ?

Q. One in the Madras Presidency.

A. Occasionally people come to me with yarn and ask me to test it and to certify as to its count and strength. I do so, and in the case of difference arising, the matter is settled in a court of law.

Q. Is not the Gokak Mill yarn imported into the Madras Presidency ?

A. Yes.

Q. How do you find that ?

A. I have not tested that yarn. It sells very well. It is a fairly strong yarn; but I have no figures here to give you the strength and twist of that particular yarn.

Q. There is no complaint about short reeling in that yarn ?

A. I cannot tell you because I have not tested it.

Raja Hari Kishan Kaul—I understand that there are four classes of cloth produced on the Madras handloom. Of these, do handkerchiefs compete with power-loom cloth ?

A. No.

Q. The second one is superfine varieties of grey goods with gold and silver thread borders. That does not compete with power-loom cloth ?

A. No.

Q. Then it leaves only two varieties more, *i.e.*, cloths made on handlooms from fine imported yarn above 40s and cloths produced from coarse and medium counts of mill-made yarn. The former you say meets with strong competition from Japanese-made cloth ?

A. Yes, but it is only for the last few years that I have noticed it.

Q. Can you name some types of cloth which are imported from Japan and compete with the handloom manufacture ?

A. Yes. For example, 40s. plain grey cloth which the handloom weavers dye in Madura and other places and which is also largely used for printing with hand blocks.

Q. That is from 40s up to how much ?

A. The majority is woven from a little below 40s, say 36s to 40s.

Q. So there are two classes : one is the coarser variety and the other is the finer variety above 40s. ?

A. Yes.

Q. Of the two varieties, the finer one is used for dyeing or printing and the coarser one is in regular competition with mill goods. Is that so ?

A. Yes.

Q. Do you get any particular kind of dhotis made here ?

A. The handloom weavers produce all kinds of dhotis just as the mills do to meet local demand.

Q. You say " cloths of coarse and medium counts meet with keen competition from cloths produced by mills in India and those imported from Japan "?

President.—What cloth which forms the bulk of the weaving apparel of the poor and the middle classes is imported from Japan ?

A. I find that Japanese dhotis are being sold side by side in the shandies.

Q. Only in a few places ?

A. Yes.

Q. We have not seen it anywhere. Have you any statistics ?

A. No. I have no statistics.

Q. Can you get us some samples ?

A. Yes. I shall try to show you Japanese dhotis which compete with handloom dhotis.

Q. Yes, we shall be much obliged if you can do so. We have seen no Japanese dhotis anywhere yet.

Mr. Subba Rao.—I want to ask you a few questions about the figures you have given. On the first page of your written statement you say in regard to coloured fabrics made on handlooms that " the exports of these goods amount to approximately 38 million yards." You have taken only one year. That is not an average ?

A. No. In support of those figures I have given you also a detailed statement.

Q. Do those exports refer to Madras or to all India ?

A. These are figures for coloured cloths, which are made only in Southern India.

Q. I think the figures for 1924-25 for the Madras Presidency for coloured cloths exported are these : lungis and saris 24 million yards and Madras handkerchiefs a little over 3 million yards, or altogether 27 million yards. That is for one year. If you take an average of five years, it will come to about 20 to 25 million yards for Madras. That means to say your figure of 38 million yards must be for all India or is too high if meant only for Madras ?

A. No. You will find from the first statement in my note on the Madras handkerchief and lungi industry that in 1923-24 the exports of Madras handkerchiefs amounted to 2,642,107 yards and lungis and saris to 35,245,959 yards (*vide* the last table) which makes about 38 million yards. These figures were taken from the Madras Customs returns. The total value of the export trade in these varieties amounted to more than Rs. 24 millions in 1923-24.

Q. But your figures are for only one year ?

A. Yes, Sir.

Q. Secondly, you say a little later on that " nearly 75 per cent. of Indian yarn consumed by handloom weavers is imported from overseas." How can you say that ? As a matter of fact, the quantity of mill-made yarn put into the Indian market is more than 250 million pounds and the import of yarn is just over 50 million pounds for the whole of India. That suggests imported yarn coming into Madras is very small. So far as imported yarn is concerned, the Madras imports amounted to anywhere from 6 million pounds to 8¾ million pounds during the last five years.

A. Yes.

Q. You again say " The approximate quantity of cotton yarn consumed per annum by the handlooms in the whole of India and the Madras Presidency may be taken as 200

million and 60 million pounds respectively." Is nearly three-fourths of that consumption of yarn in the Madras Presidency imported yarn ?

A. I have included yarn which is sent from Bombay, Calcutta and other places and which come by rail or sea to Madras.

Q. What do you mean by " overseas."

A. Yarn manufactured outside India.

Q. Does it mean that Madras handloom weavers consume a larger proportion of foreign yarn than Indian yarn ? Is that your idea ?

A. Yes. A comparatively larger portion of imported yarn.

Q. That is to say 75 per cent. of the imported yarn or three-fourths of 8 million pounds of Madras imports or about 6 million pounds is consumed by the handloom weavers in the Madras Presidency. Will that be true ?

A. No. The yarns used for the manufacture of kailis and lungis, which are of 40s and 60s are all imported. A good portion of 30s we find in the Madras Presidency is also imported.

Q. I am taking the total consumption. What is the amount of yarn consumed by the handloom weavers in Madras ?

A. About 60 million pounds.

Q. Of which about 8 million pounds are imported ? Is it ? The total imports of foreign yarn into India for the last five years is 47, 56, 58, 43 and 55 million pounds of which Madras takes 6½ to 8½ million pounds per annum.

A. In my statement I have given you the details of those 60 million pounds.

Q. You probably take also the coastal traffic when you speak of "overseas." Is it not so ? You mean yarn coming from outside the Presidency ?

A. Yes.

Q. When you say that the approximate quantity of yarn consumed by handlooms for the whole of India is 200 million pounds and 60 million pounds for Madras is not that an under-estimate again ? It is nearer 300 million pounds than 200 million pounds for India if you include imports.

A. Here are some further figures on the subject.

Q. The figures in this statement are only up to 1919-20.

President.—Why are your figures so out of date, Mr. Amalsad ?

A. In 1921, I conducted a survey of the handloom industry in this Presidency and brought out a publication on the subject and in it I brought the figures up to 1920.

Q. But your book was published in 1925 ?

A. That is the second edition of the book. This was published by Government. The figures were not revised.

Q. You should put forward a suggestion to reprint it, bringing the figures up to date ?

A. Yes, Sir.

Q. I should like to ask you a few questions about the import duty on cloth. You say "I am in favour of raising the present import duties levied on cloth." To what extent ?

A. That has to be very carefully considered.

Q. We should like to have your carefully considered view as to the extent to which it should be increased,—I gather you want the import duty to be raised all round and not specially against Japan.

A. Not specially against Japan. Handloom weavers find that, although a large number of them are dependent on weaving, it does not support them to the extent it ought to. They are anxious to take to weaving of finer counts so as to avoid local mill competition. Even then they find that they are at a disadvantage because of the competition of foreign cloth.

Q. You are looking at it from the point of view of handloom industry ?

A. Purely from that point of view.

Q. We are concerned not with the handloom industry, but only with the mill industry.

A. Imposition of duties on imported cloth will have an effect on the handloom industry.

Q. What we want to know is whether the imposition of a higher protective duty might not amongst other effects have that of helping the mill industry more than the hand loom industry ?

A. I think it will help both.

Q. Which it will help more ?

A. In the finer counts the handloom industry may be helped more.

Q. If it is on all cloth ?

A. Then the handloom weavers will take to finer counts because the finer qualities will pay better. The mills will be benefited in the production of coarse and medium counts cloth.

Q. How would that benefit them ?

A. The mills may benefit if the duty on imported cloth is raised. Because it will keep out Japanese and other foreign cloth and the handloom weaver also will be benefited in the case of cloth made of 40s and above. In the lower counts below 40s, the mill will produce more, with which the handloom weavers cannot however compete.

Q. If the import duty is raised all round, that means an increase in prices ?

A. For some time, in the beginning.

Q. For how long ?

A. I cannot make any definite statement. I think that clothing the masses in India can be solved within the country itself.

Q. How ?

A. Because the Indian mill industry and the handloom industry have their respective spheres of work.

Q. If you are going to raise the price of cloth, will not that restrict consumption ?

A. In the beginning only to a small extent.

Q. Why only a small extent ?

A. Because internal competition will try to bring prices down.

Q. How is that going to remove the depression in the mill industry, unless they get higher prices for their cloth ? If internal competition keeps prices down, what is the use of the higher duty ?

A. That is true. It is natural that prices will be high for some time, but when the import of foreign goods is reduced, the mills will certainly try to replace those goods which means there will be greater consumption of Indian mill cloth.

Q. Will that bring down the cost of production in the mills ?

A. There are also other means by which the mill-owners propose to bring down the cost of production.

Q. What are they suggesting ?

A. They are asking for several concessions.

Q. All these concessions will not amount to very much. What are the other means ?

A. Particularly, grant of facilities for transport by rail at a low freight.

Q. How would that help them ?

A. To some extent.

Q. It will be very small. How do you think a higher duty is going to help the mill industry, unless you increase the consumption of cloth ?

A. True, you must increase consumption.

Q. There is just another interesting suggestion you put forward. You say " spinning mills may with advantage distribute prepared warps to the handloom weavers." What do you mean by prepared warps ?

A. In one of the statements I have already furnished, you will notice that in the case of handloom weavers 60 per cent. of the cost of weaving represents the preparation of warp. If a weaver gets a readymade warp, say of 20s, he can easily weave 10 yards a day. He finds weaving more remunerative than preparing the warp himself. If the mills can prepare the warp, the handloom weaver will content himself with weaving and he will be benefited by it. Hence, I suggest that the mills may take up the work of preparing the warp for the handloom weaver with profit.

Q. I do not quite understand your proposal.

A. The mills may prepare warps of 50 and 100 yards pieces, size them and sell them to the weavers.

Q. That is a suggestion which might be followed up.

Raja Hari Kishan Kaul.—You are in favour of an import duty on cloth because it will help the mill industry as well as the handloom industry. The handloom industry produces coarse cloth which competes with the local mills and cloth above 40s, which competes with foreign cloth. Is it not so ?

A. Yes.

Q. That is, cloth made of higher counts than 40s as well as coarse cloth will gain by an additional import duty ?

A. Yes.

Q. That means that Indian mills as well as handlooms will be equally favoured by an additional duty ?
A. Yes.

Q. So that there will be no handicap to the handlooms or any particular advantage to the mill industry ?
A. No.

Q. If an additional duty is put on the lower counts, would you have any fear that the handloom industry would be handicapped ?
A. No.

Q. Between 30s and 40s there is a great deal of handloom manufacture. Is it not so ?
A. No. 40s and 60s is greater.

Q. That is above 40s. What about cloth between 30s and 40s ?
A. There is a good deal of manufacture, 32s largely.

Q. Which competes with Indian mills ?.
A. 30s and 40s ?

Q. That is cloth woven of 30s and 40s, both by the Indian mills as well as imported cloth ?
A. Yes.

Q. Do you think that if the duty is put on cloth manufactured from 30s to 40s it will help the handloom weavers more than the mills ? Or less ?
A. Generally, the price of handloom cloth is fixed 5 per cent. higher than mill cloth The sale price of handloom cloth depends upon the price at which Indian mill cloth is sold. In certain far off places mill goods are not available and there the weavers are better off.

Q. Therefore, if the handloom cloth competes with the Indian mill cloth and imported cloth, would the handloom industry get a special advantage if an additional import duty is put on cloth ?
A. Certainly the handloom industry will be at an advantage.

Mr. Subba Rao.—You say that the increase in prices will be brought down by the supply locally of cloth of finer counts from handlooms and other cloth from the mills. Do you contemplate spinning of fine yarn in the country itself, or do you expect that handlooms should depend on imported fine yarn ?
A. As regards spinning of fine yarn, I know of only one French concern that is about to be started in Cuddalore for the spinning of 40s and 60s.

President.—With imported cotton ?
A. Yes. Egyptian cotton for 60s and Cambodia or American cotton for 40s. If the mills will have a test plant as they have in Binny's and prepare a class of cotton mixing according to the strength and grade of cotton that is being bought from year to year, they may be able to maintain a standard of 30s and 40s which will be purchased by the handloom weaver. The Indian 40s which they get at present is not quite satisfactory.

Mr. Subba Rao.—And beyond that what about finer counts, 60s, 80s and 100s ? Do you think you can spin this yarn within the country itself with imported cotton ?
A. It is possible, but it is a question of organisation and other things.

Q. So you contemplate you can import raw cotton and spin finer counts ?
A. It may pay the millowners if they do so.

Q. In answer to Question 106, you say—

"There may be an increase in price at first as a result of the increased import duty on cloth, but ultimately the foreign cloth would be displaced by the products of Indian mills in the case of cloths made from medium counts of yarn."

Now, do you contemplate the handlooms depending upon locally spun yarn or imported yarn as regards finer counts ?
A. I think they will have to some extent depend on imported yarn.

Q. From your answer to Question 109 I see you consider that the importation of foreign yarn is very good for the country, generally speaking ?
A. Yes, generally speaking.

Q. Which is likely to be more profitable for a mill in times of depression, spinning of yarn or going one step higher and weaving cloth ? Which kind of mill will be able to get

a profit, a mill that limits itself purely to spinning or one which has got a weaving section also ?

A. That has many aspects. For instance, a spinning mill in Madura, which is probably the world's largest spinning mill and has more than 2 lakhs of spindles, is unaffected even in these times of depression, and it is not handicapped because it has maintained its market and has a reputation for its yarn.

Q. There is no special advantage, you think, for mills producing cloth also ?

A. Yes. There is some advantage in a combined mill.

Q. You have suggested that importation of yarn is good and that it can be done without prejudicially affecting locally produced yarn. Will you extend that idea further to imported cloth also ? Is it not also good to import cloth in the interests of the poor agriculturists ?

A. That depends upon the price at which cloth can be imported. I do not think it will pay to import coarse varieties of cloth which are manufactured by the handloom weavers and which are in demand in remote villages, where the demand and supply are regulated with in the locality.

Q. So you contemplate the production of coarser yarn and also the conversion of coarser yarn into cloth locally ?

A. Yes.

Q. Do you contemplate importation of finer cloth, as a result of additional import duty ?

A. Yes.

Q. That would not affect prices ?

A. In the beginning the prices will be high.

Q. Do you think it possible to sustain a large fine count industry by means of imported yarn and to keep out imported cloth ?

A. Foreign cloth consists of different varieties. The handloom products are mostly ready-made garments. The Japanese and other foreign cloths imported into this Presidency are entirely different from locally produced cloths, and they are better finished cloth. These superior cloths cater to the requirements of the better classes.

Q. I am speaking of finer counts. Poorer classes do not use cloth made from finer counts, say of 60s and 80s ?

A. Even among poor classes there is a fair demand for finer counts during marriages and ceremonies.

Q. But which is the larger demand ?

A. The agricultural population depends upon the coarser and medium counts of cloth.

Q. My point is, is it possible to sustain an industry based upon imported yarn ?

A. Yes, it is possible.

Q. Is it economical ?

A. Yes.

Mr. Majmudar.—Is there occasional depression in spinning and occasional in weaving, or is the depression always in both ?

A. Where there are spinning and weaving mills combined, there is hardly appreciable depression in spinning, because they use as much yarn as possible in weaving and only sell what is left over to the handloom weavers. Where there is a spinning concern, it will be beneficial to have a weaving concern also.

Q. You have heard that the spinning mills sometimes do better than the weaving mills ?

A. Yes, sometimes.

Q. And sometimes weaving mills do better than spinning mills ?

A. Yes.

Q. It depends upon the market conditions ?

A. Yes.

Q. So it cannot be said as a general rule that the weaving mills always do better than the spinning mills ?

A. No.

Q. You say "it pays the Indian mills to produce coarse and medium counts of yarn." What makes you believe that ?

A. I refer to mills which are situated near cotton centres. For example, the Coimbatore mills get their raw cotton from the district. They select a particular staple of cotton suited to their spinning machinery and in required quantities. Moreover, humidity, labour, markets and other factors are more favourable for the production of coarser and medium counts of yarns.

Q. When do you think the spinning mills commenced to put in weaving sheds ? Was it only lately ?

A. Yes.

Q. So when you say that " it pays the Indian mills to produce coarse and medium counts of yarn " you are referring to the conditions some years back and not to the present conditions ?

A. Even at present in the Madras Presidency the conditions are not unfavourable. It pays them to manufacture coarse and medium counts. I understand that the Madura mills are selling the bulk of their yarn in the Calcutta market. Even the new mills, the Pandyan mills and the Meenakshi mills, which have 20,000 spindles each, are designed for such counts.

Q. Have they started work ?

A. No, they are under erection.

Q. You cannot say that they will pay, since they have not started work ?

A. But the other mills are selling all their yarn. They are spinning a portion in 40s and the bulk of their yarn in 20s.

Q. Does it pay the Madras United to spin 20s yarn ?

A. So far it has suffered no loss.

Q. You have not got the actual cost of production of coarser and medium counts of any of the local mills. You only say by guess that it pays the Indian mills to produce coarse and medium counts and you have no idea as to whether they are making any profit except in the case of the Madura mills ?

A. There are mills in Coimbatore, Madura, Tinnevelly; all spinning mills. They are working full time, and find a ready sale for their production.

Q. Do you analyse cloth at your Institute occasionally ?

A. No. People do not send cloths to us for analysis.

Q. If they send them on to you, it would not be very difficult to analyse them ?

A. I can do that without any difficulty.

Q. It is only a question of boiling the cloth and taking out the size ?

A. Yes. In ascertaining the count of warp. We may also test the twist, ends and picks per inch and the strength of the cloth.

Q. In the last sentence of your answer to Question 106, you say " internal competition should suffice to keep prices at a reasonable level ". What do you mean by " reasonable level " ?

A. What I mean to say is that there will not be an abnormal rise in the price of cloth. The mills will be compelled to dispose of their cloths and are not likely to hold up stocks.

Q. Don't you think the price will go much higher ?

A. If the mills get even a small return, they are not likely to hold up cloth.

Q. In reply to Question 118, you say " improvements in the provision of banking facilities in the cotton districts is desirable ". What is it that you are referring to ?

A. I am referring to the giving of advances to the cotton growers. Of course this is more within the province of the Director of Agriculture.

President.—Supposing there is a specific duty imposed on the imports of these goods and the amount of duty is fixed according to the count of the yarn and the number of threads to the square inch, the cloth will have to be tested and verified by the count. Are you able to do that in your Textile Institute ?

A. Yes. We have got in our Institute all the facilities for testing cloth; but the question is that when such a specific duty is levied, the Customs will find it extremely difficult to pick out the qualities.

Q. Quite so; that is why a test will be required ?

A. It will involve a lot of work.

Q. Have you got the machinery for that ?

A. Yes. But we have not got the staff to do it.

Q. You would obviously require some staff to carry out the tests ?

A. Yes.

Q. Is it a very complicated job ?

A. No. A student who has gone through a two years' course in the Textile Institute can do this work.

Q. We have had various samples of Japanese cloths analysed and we find that different mills give us different reports. Some mills stated for example that the count was 38s, while others said it was 41s. How is that difficulty to be got over ?

A. It is not quite possible to get over that, however carefully we may, for purposes of examination, remove the yarn from the fabric or the size by boiling the warp yarn. At any rate, the error will not be more than 1½ per cent. or 2 per cent.

Q. Supposing you were to fix the duty on cloths made from yarn of counts 40s. One mill might put the count at 39s and another at 41s. How would you decide it ?

A. There is only one method of testing the count in a cloth and if that is done carefully, we will have to accept that, allowing the necessary margin for variation.

Q. There may be one or two counts' difference ?

A. Yes, there will be. If the test is to be carefully done, it must be done in a room where a particular point of humidity is maintained all the time.

Mr. Majmudar.—You generally make five or six tests for the determination of the counts ?

A. Yes. If I am to examine a cloth, I may even test it on three different machines I would first of all test it on the Lancaster yarn quadrant testing machine, then on the chemical balance and Beesley's Balance.

Q. You will then find out the average ?

A. Yes.

Q. So that the chances of error will be reduced to a minimum ?

A. The fact that we take the average of 20 threads on three different machines ought to be sufficient.

ANNEXURE A

I. Production of cloth on a hand-loom fitted with a fly-shuttle slay and a weaver's beam

(Width 45"—Time 10 hours)

Cloth	comprising	of	20s	warp and weft,	52	picks per inch in cloth	..	15 yards.
..	„		40s	„	60	„	..	9 „
„	„		60s	„	80	„	..	7 „
..	„		80s	„	92	„	..	4 „

II. Cost of production of 10 yards of cloth on hand-looms

(Cloth 45" width, 20s warp and weft, 48s reed and 52 picks per inch)

	Rs.	a.	p.
Warp 1·4 lbs.	0	14	6
Weft 1·6 lbs.	0	15	9
Warp preparation	0	5	9
Total charges ..	2	4	0
Selling price of cloth	2	14	0
Earnings of the weaver	0	10	0
Cost of production for 10 yards or 3 lbs. (0-5-9 + 0-10-0) ..	0	15	9
Cost of production for 1 lb.	0	5	3

But a power-loom weaving concern will produce on an average 50 yards or 15 lbs. of cloth per day. Its cost of production is estimated at Rs. 6-9-0 for all charges excluding the cost of yarn. Therefore the cost of production per lb. of cloth is As. 7.

III. Charges for warp preparation and weaving by the indigenous method

20s	1 lb.	winding	6 pies	6 per cent.	60 per cent.
		warping	6 pies	6 per cent.	
		sizing	48 pies	48 per cent.	
		weaving	40 pies	40 per cent.	

IV. Cost of yarn per bundle of 10 lbs.

	Rs.	a.	p.	
10½	5	6	0	
12½	5	10	0	
14½	5	12	0	
16½	6	2	0	
20½	6	12	0	
22	7	0	0	
24	7	4	0	
26	7	6	0	
30	7	8	0	
40	10	0	0	
60	17	0	0	to Rs. 19

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ANNEXURE B

Statement showing the quantity of yarn consumed outside cotton mills (in thousands of lbs).

Year	Quantity of yarn produced in India Lbs.	Quantity of Indian yarn exported to foreign countries.		
		By sea Lbs.	By land Lbs.	Total Indian Yarn exported (3+4) Lbs.
1	2	3	4	5
1896-97	4,23,185	1,95,996	2,639	1,98,635
1910-11	6,09,927	1,83,425	7,693	1,91,118
1911-12	6,25,030	1,51,489	9,640	1,61,129
1912-13	6,88,456	2,03,961	10,919	2,14,880
1913-14	6,82,776	1,97,978	8,881	2,06,859
1914-15	6,51,985	1,33,619	8,860	1,42,479
1915-16	7,22,425	1,60,232	7,875	1,68,107
1916-17	6,81,107	1,68,980	8,489	1,77,469
1917-18	6,60,576	1,21,798	8,425	1,30,223
1918-19	6,15,040	63,798	8,682	72,480
1919-20	6,35,760	1,51,870	8,445	1,60,315

Quantity of yarn consumed in India			Estimated quantity of yarn consumed in the production of mill-made cloth	Estimated quantity of yarn consumed outside mills due in production of cloth by handloom weaving, etc.
Indian yarn	Imported yarn (import not export by land Re-export by sea) Lbs.	Total. (6+7)		
6	7	8	9	10
2,24,550	45,634	2,70,184	74,059	1,96,125
4,18,809	27,164	4,45,973	2,19,512	2,26,461
4,63,901	34,819	4,98,720	2,38,113	2,60,607
4,73,576	40,947	5,14,523	2,54,885	2,59,638
4,75,917	36,115	5,12,032	2,44,990	2,67,042
5,09,506	34,263	5,43,769	2,47,327	2,96,442
5,54,318	31,966	5,86,284	3,14,513	2,71,771
5,03,638	22,880	5,26,518	3,37,257	1,89,261
5,30,353	13,333	5,43,686	3,40,539	2,03,147
5,42,560	31,440	5,74,000	3,12,125	2,61,875
4,75,445	7,872	4,83,317	3,42,721	1,40,596

ANNEXURE C

Statement showing the quantity and value of Madras handkerchiefs and Lungies produced in the Madras Presidency

	Madras Handkerchiefs Quantity (Yards)	Value (Rs.)	Lungies Quantity (Yards)	Value (Rs.)
1914-15	1,443,993	8,20,565	19,266,050	72,04,189
1915-16	2,203,096	13,73,642	25,866,413	1,03,49,658
1916-17	786,004	4,18,521	25,646,629	1,08,54,564
1917-18	275,918	1,84,729	20,929,702	97,02,441
1918-19	474,418	501,810	21,419,343	1,29,70,016
1919-20	1,277,556	15,87,941	22,430,463	1,48,87,241
1920-21	1,990,886	28,64,555	20,527,743	1,49,82,200
1921-22	405,733	5,71,506	27,771,347	1,84,08,516
1922-23	1,792,440	22,15,769	25,029,086	1,61,23,737
1923-24	2,642,107	32,98,372	35,245,959	2,12,44,522

Witness No. 20

THE DIRECTOR OF INDUSTRIES, BENGAL.

Written Statement dated the 14th September 1926.

I have the honour to state that in my opinion an increase of 13 per cent. in the import duty on yarn would not react unfavourably on the handloom industry provided a *pro rata* increase is imposed on imported cloth. I would myself suggest that the duty on cloth be proportionately higher by at least 20 per cent. so that a distinct advantage be secured to the home-made product.

2. It is utterly impossible within the compass of a letter to explain and justify my support of these proposals. It is sufficient to say that the prosperity of any class depends upon its capacity to produce, and production is effective only if a market for the finished articles is assured. If the cotton industry (both mill and handloom) receive sufficient protection to give them control in their home markets, production will respond and the cost of yarn not being proportionately increased, the handloom weaver will share in the resulting prosperity. I am not alarmed at the prospect that the Indian mills will compete severely with him. During the cloth famine of 1921, the handloom industry received great impetus and many small weaving institutions came into existence, in spite of the competition from the Bombay mills. And a fresh lease of life will be given to the industry if its home market be secured.

3. I am aware that the position I have taken up is open to the usual free-trade arguments. I am prepared to concede them all, but I do not admit that they operate under existing world conditions, and it serves no useful purpose to attempt to apply them in practice.

4. It is suggested that the Indian mills will get yarn from their own spinning mills at cost, while the handloom weaver will buy his raw material enhanced by the duty. This is purely a fictitious argument. If the mill gets its yarn from its own spinning plant, it has to debit itself with the market price of the same. Further, the handloom weaver may himself buy Indian spun yarn which is tax free. If he prefers imported duty paid yarn then he must do so because he finds it more profitable. If the price of cloth is such that the advantage lies with the Indian weaver (either mill or handloom) it is immaterial what yarn is used.

5. I would therefore not permit the existence of the handloom weaver to stand in the way of giving protection to this industry, but would only suggest that the duty on cloth and yarn respectively be so pitched relatively that a clear advantage will remain with the Indian weaver, mill or handloom, as the case may be.

Witness No. 20

DIRECTOR OF INDUSTRIES, BENGAL

Oral evidence of Mr. G. P. Hogg, I.C.S., recorded at Calcutta on 29th September 1926

President.—Do I understand your view to be that an increase in import duty on yarn will not be desirable in the interests of the handloom industry unless there is a *pro rata* increase of duty on imported cloth ?

A. Yes; I think to be on the safe side it will be desirable to have a proportionate increase, a more than proportionate increase in the duty on cloth. That is what I said in my note. That is merely to be on the safe side.

Q. The whole point on which we are up against, on which nobody has so far thrown any light, is how an increased duty is going to help the mill industry. We are concerned as you know with the mill industry. The only reason we are concerned with the handloom industry is that it is desirable to make sure that anything we recommend for the mill industry should not react unfavourably on the handloom industry. A point on which we have received no light is how an increase of duty on imported cloth is going to help the mill industry. Do you disagree with the usual economic doctrine that an increase in duty increases prices ?

A. I do not think it will inevitably raise prices. I think on the whole it probably would. On the whole, any substantial duty would probably raise prices.

Q. Then if the mill industry cannot dispose of its output at the present range of prices how is it going to get rid of it at increased prices ?

A. If the goods that are coming in are kept out. After all the goods that are coming into the country are of the order, I gather, of some 17 hundred million yards and the mills are producing something about the same figure; and the handloom industry is apparently producing, as far as one can calculate, something like 15 hundred million yards per annum. Now if steps were taken to cut out the supply of cloth from abroad the market is there.

Q. Where are they going to get cotton from to make the goods that are now coming in ? I think it is a very safe estimate that 4/5ths of the imported goods are of 30s and higher counts. Where is India going to get cotton from to double its production ?

A. Cotton that is now imported would be available. To begin with, I think the shifting of the incidence of consumption from one class of cloth to the other will take off all the mill production in India. The demand need not necessarily continue for the same qualities of cloth.

Q. You do not wish to drive the consumer to the coarser quality ?

A. I should not mind.

Q. You say you would not mind, but the question is whether the consumer in India would mind.

A. I think that is one of the things that has to be faced by any country which wants to support its own industries. That is one of the things that must be faced.

Q. Of course it is entirely for the country to decide, but it seems open to argument, to say the least, whether it is desirable to compel 300 millions of people to use coarse cloth to keep the mill industry alive.

A. I do not know the figures of raw cotton in India but I do not see why the mill industry could not increase its production of finer cloth round 40s. That of course is the point at which the competition seems to take place—between yarns of 30s and 40s. They can produce a certain amount of it now, and they do produce a certain amount between 30s and 40s. I do not know why they should not produce more if they are given a protective tariff to enable them to do it. Here in Bengal the weavers use the coarser counts from Bombay and for finer counts they use the Japanese 30s and 40s. That is the present state of affairs. There is a strong demand for Japanese yarn between 30s and 40s but not below. Below that it is Indian yarn that is used by these people.

Q. Do they not use much above 40s in Bengal ?

A. They do not use much above 40s. It seems the principal demand is for 40s. These are our reports from the districts, from the weaving schools and so on. Weavers are found to be using Japanese yarn of 40s.

Q. You are looking at the matter just now from the point of view of the mill industry. You say the effect of the increased duty on imported cloth would drive people to use coarser counts; but that would hardly be in the interests of the handloom industry,

because the handloom industry makes the finer counts, and as regards the coarser counts they are much more up against the competition of mill products.

A. It might. I say it might, unless the Bombay mills were able to increase their production of 40s rapidly. We believe they might be able to do that. I am not sure on the point whether a mill can increase its production on any particular counts at once or whether it would take time. But they might be able to produce it if the demand existed for it and if the competing stuff can be kept out.

Q. After all the handloom industry, as you know better than I do, has very little in the way of resources and if prices go up, would it not be hit very hard ? Would it not be hit immediately and possibly with fatal results ?

A. I think the price of cloth will go up.

Q. Quite so. That restricts consumption. My point is that the restriction of consumption might act much more quickly and with more direful effects in the case of the handloom industry than in the case of the mill industry. The mill industry might be prepared to put up with the restriction of consumption in the hope of an ultimate and lasting benefit. But the handloom industry might be dead before the benefit came along.

A. I do not think the proposed increase is going to make such a huge difference to consumption. In fact it might not affect consumption at all. As far as I can figure it out the increased duty of 13 per cent.—I think that is the figure—on a pair of dhooties made by a handloom weaver might mean 5 annas roughly.

Q. What is the cost now ?

A. The present price seems to be round Rs. 4-12-0 on the average. That is for the finer quality. For the coarser quality the price at present is round Rs. 3-12-0, and in the case of the Rs. 3-12-0 quality the increased duty would mean an increased price of 4 annas. In the case of the finer it would mean roughly 5 annas. Now I do not think the average cultivator in Bengal is going to be influenced by 5 annas on a pair of dhooties which he might purchase once a year. Take it that he purchases once a year or twice in 18 months and if he is going to pay 5 annas more it works out to something like 2 pice a month. The ordinary fluctuations in the income of an agriculturist in India are far in excess of an average of 2 pice a month. It is nothing. I do not understand why so much is made about an increase in an article which a man purchases once or twice a year.

Q. The point is that one wants to put him in a position in which he can purchase three times a year. He cannot now afford to purchase oftener than once or twice at the most. Therefore a difference of 5 annas to him really means a tremendous lot.

A. Once a year. I cannot follow that. I cannot appreciate that 5 annas a year is going to make any great difference to any agriculturist especially when one considers that fluctuations to which he is subject ordinarily by climate and by other natural changes in the course of the year far exceed anything of that kind. For example, a 48 hours flood might affect the crop by 25 per cent. A good season may increase the crop by 25 per cent. In either case, the fluctuations are in excess of any change which is going to be made in the case of a duty like this.

Q. In the one case it is a question of the operation of unpreventable causes but this is a preventable cause.

A. My point is then that he is not going to worry about it. He can stand up to the former, and he does stand up. There is no reason to suppose that he is going to make any fuss about a small increase in the price of cloth.

Q. But if that is the case why was there looting in Bengal in 1918 owing to the high price of cloth ? If the price of cloth made so little difference as all that, why was there looting in 1917 and 1918 ?

A. The increase then was something about 100 to 150 per cent. This is a question of an increase of about 6 per cent. as against an increase then of anything like from 100 to 150 per cent.

Q. Why 6 per cent.? It should be an increase of 13 per cent.

A. I am taking it this way. The increased duty on yarn is 13 per cent. Then the cost of yarn is 53 per cent.—between 52 and 53 per cent.—of the total cost of the goods. Therefore the percentage increase of value of the finished cloth is less than 13. I work it out at about 6 per cent.

Q. But you have got, as far as the cultivators are concerned, to take the increased duty on cloth. You may send up the price of handloom weaver's product by 13 per cent.

A. I am basing my figure on the assumption that the cost of yarn goes up 13 per cent. It is 13 per cent. on 105. I am calling it 13 per cent. It is not strictly 13, it is 13 on 105.

Q. We are discussing an additional 13 per cent. on cloth ?

A. The increase is 13 on 105, and I estimate the cost of the yarn would be 53 per cent. of the cost of production. Then the increased cost of yarn on the total value of his finished product is only 6 per cent. That is how I calculate it. I say the weaver is not a sufferer if he gets the price of his dhooty raised. But it represents 4 annas on the coarse cloth and 5 annas on the finer cloth.

Q. Presumably the effect would be that he will get more than that.

A. He may get more. So much the better. My further argument in the matter is this, that the buying power generally of those who are engaged in the mill industry of Bombay and of the handloom weavers, of whom there are 500 thousand in Bengal—the buying power of these people will be increased and that reacts on general trade.

Q. How is their buying power increased ?

A. They make more profits. They will get a price in excess of the rise caused by the duty on yarn.

Q. Their buying power may increase but surely the buying power of their purchasers has decreased to exactly the same extent. Where is the advantage ?

A. The buying power of one particular section of the community is increased because of their increased production. Then that reacts on their demand for commodities of the people who themselves have paid more for cloth. There is a better and firmer market. I am really putting forward what might be called the gospel of production. I believe in a country producing all it can, and the maximum amount of wealth it can and thereby increasing its own internal buying power.

Q. The logical result of your gospel is that if a country has a sufficiently high barrier of duties to keep absolutely everything out except what cannot be made in it, it is in a state of abundant prosperity ?

A. Well, if every man in a country is producing goods and has a sure market for them, then I should say that that country on the face of it is prosperous.

Q. Where is it going to get its assured market ?

A. To begin with, you have the home market protected for it. That is the market you start with. You start with the home market. There instead of having large numbers of people unemployed and living on the margin of subsistence, you have a reasonable prospect of having them employed and producing wealth. And my argument is that that reacts in every direction, on every trade and on every industry transport, food supply and many other industries are benefited by the reactions in such a way that they will be able to pay an increased price for cloth. Of course I am putting forward.....

Q. The gospel of high protection ?

A. Yes, it comes really to that. I take that view. Of course it is going away from the subject. If you push it, I take it that a general all-round protective tariff under existing world conditions is more likely to produce a state of prosperity in any country than the present system which prevails in certain countries of leaving every industry to the fluctuating competition of other countries.

Q. One of the statements made to us in Madras and elsewhere is that Japanese yarn is preferred by weavers because it is of a better quality. It is more regular and stronger and, if with your high protective duty you keep that yarn out, where is the incentive to the Indian mills to turn out anything better ? Under your gospel of high protection in this country, where will any incentive to efficiency come in ? It is all very well to argue that high protection means high production, but it does not necessarily mean high production of good quality.

A. Well, it is a matter of prices and demand. If the handloom weaver maintains his demand for a good quality of superior count, then I have not the slightest doubt of the incentive the mills have, because the market is there for it.

Q. If you close their market, close the possibility of their being able to get yarn from any other sources of supply, what incentive is there to the mills to supply anything better ? They will simply say, "this is what we produce and you can take it or leave it. You cannot get anything better."

A. I do not think that is the ordinary operation of economic law. The ordinary operation is that if a demand exists, the trade will ordinarily supply it.

Q. Under competitive conditions ?

A. Of course, there are a very large number of mills in India.

Q. You can see for yourself. Under the present competitive conditions they are not supplying this demand, and if competition is removed it would seem to be the natural course of events that they will have still less incentive to supply it.

A. I think it is a matter of price and demand. If the demand is an effective demand.....

Q. How can it be effective ?

A. It is the price that makes the demand effective. If the mills discover that there is a strong demand and the money is there, the demand is effective demand.

Q. Apart from any other consideration, how is an industry unorganised as it is, to make its demand effective ?

A. It comes through the dealers. The demand is made effective through the dealers in the mofussil who deal with the distributors in the larger towns; and it reaches the mills in due course. It is his demand that finally decides what will be the supply. The demand comes up from the consumer through the agent who supplies it. It does not require to be organised. The ultimate consumer is merely an individual. But his demand becomes effective through the organisation that supplies it. Ultimately it reaches the mills and I have not the slightest doubt that they will respond. I think every trade has in the past responded to the demand and every trade naturally responds to the demand, for what the public is wanting.

Mr. Subba Rao.—Is it not a fact that till the Bombay mills lost the Chinese markets for coarse yarn, they did not think of it ? Were not they content with more or less a share of the market for coarse yarn ?

A. I really do not know enough about the Bombay mills to answer positively a question like that. As far as the figures go, one would conclude that the Bombay people were producing coarser qualities of yarn and what struck me was that in all probability they had started with the coarser yarn and gradually ousted the coarser yarns from the very beginning, from the bottom upwards. I rather conclude from the progress of the figures that the Bombay mills had started with the coarser qualities and had gradually ousted the foreign supplier from these branches of the trade and compelled the foreigner to confine himself to the finer counts.

Q. And then ?

A. He has reached a particular stage where the limit appears to be about yarns of 30s. That seems to be the dividing line. The Bombay mills come up to 30s. Between 30s and 40s there is a very strong competition and above that the foreigner seems to have it all his own way. From the figues I conclude that.

Q. You spoke of internal competition and effective demand stimulating production of finer counts. But, as the President has said, if you have more or less shared the market for the inferior kind of yarn, where is the stimulus for producing finer yarn ?

A. The stimulus is to do bigger business and make more money. If the demand exists for finer qualities, there are lots of people ready to meet the demand if it is an effective demand. The existing mills would still exist; and new mills would come into existence. That is the ordinary course of development in every industry.

President.—But the one point which arises out of this is that in that case you will have to import your cotton and the importation of cotton would send up your costs and therefore there again the mills will have no incentive to comply with your demand.

A. I am not well enough acquainted with the raw cotton side to know that. But I gather that to produce finer counts of yarn, the higher counts, a different type of cotton is required—a long staple cotton—and it might have to be imported. Yes. Even that might come in course of time. There are many other countries that import cotton in order to produce finer yarn, and I do not see why India should not do it ultimately. It would be quite a natural and normal development. It would not be anything unreasonable to import cotton for finer yarn if she wanted it.

Q. But my point is that there is no incentive to import cotton. You will have to put up your prices in order to compensate for the additional cost of importing and with a high protective duty you will have no incentive to import. You therefore say to your people ' this is the best we can do and you can take it or leave it.'

A. I do not think that is how the ordinary economic laws operate. Your producers as a rule endeavour to meet the demand.

Q. Not if they are deprived of the stimulus of competition. They endeavour to meet the demand because they know that the consumer—if they did not meet his demand—can get his supply elsewhere. If you have this high protective wall, they will not do so ? In short you are in favour of a prohibitive tariff ?

A. Not quite a prohibitive tariff but a general one.

Q. Then the consumer has no other source of supply. Therefore you cannot make his demand effective.

A. But I do not think in any other country that has a high protective tariff it has been argued that the producer has said ' I am not going to produce anything better for you.' In many other countries with high protective tariffs, they have produced the best they can produce. They are not taking advantage of a high tariff wall to say ' we shall stick to coarser quality and you either take it or leave it '.

Q. The answer to that might be that your protective tariff is not sufficiently high.

A. There is no necessity to vary the tariff to obtain that object. I do not say that is why a protective tariff should be imposed, with the idea of so protecting your producer that he will be satisfied with an inferior article and say 'take it or leave it.' I do not think that that has happened anywhere. At any rate I am not aware of its happening.

Raja Hari Kishan Kaul.—Do I understand you to mean that in case the hand-loom weaver does not approve of the locally made yarn, he will still continue to buy the imported yarn notwithstanding the higher prices of the imported yarn and that that will be an incentive to the local mills to produce better yarn and sell it at a higher price to compete with this yarn which is sold to the handloom weavers ?

A. Yes. The handloom weaver would decide whether his customers could continue to pay for the finer quality of cloth at the increased price which I think is 5 annas and then he will continue to buy yarn at the higher prices. I have not the slightest doubt the mills in India would respond to the demand at the higher prices if it were worth their while to do so. It is a matter of profit to them. The price pays them. If it pays them to produce the yarn at that figure, I think you may take it that they will do it. If the existing mills do not do, new mills would.

Mr. Subba Rao.—I do not want to engage in any controversy about your general views on protection, but I think it should be on record that your views did not go unchallenged. Do not you think that you are suggesting practically that the country should go into the production of every commodity whether it has got facility for it or not, merely to get self-sufficient ?

A. Not if it has no facilities for producing the thing.

President.—As regards facilities, where do they begin and end ? As regards India importing cotton for spinning higher counts there is the lack of the raw material.

A. But ultimately if the industry developed and was able to produce, if the workers and machinery were equal to the production of the finest quality of yarn or cloth, I would not say that the fact that any particular raw material ought to be imported should be regarded as abnormal or unusual.

Mr. Subba Rao.—So you would put it on an economic basis ?

A. It is bound to be on an economic basis.

Q. You would not merely say self-sufficient.

A. It is not merely a matter of self-sufficiency. But where there are reasonable opportunities of an industry being established, I think that under the existing world conditions the best solution of the great problem of unemployment in India at present is a protective tariff.

Q. Would not that merely divert the labour from one field to another ? Don't you also check your imports ?

A. There is a great deal of unemployment in India. At present there is a vast middle class unemployment problem, and the country is engaged in exporting raw material and importing manufactured goods; and that suits a certain number of traders naturally. My own view is—it is purely a personal view, I am not expressing official views—in this matter, my own view is that a great deal might be done to stimulate industry in this country by means of suitable general tariff.

Q. Quite so. You are more or less developing the usual infant industry argument.

A. I take it that unless a country is producing, unless the bulk of the population are producing wealth, you cannot say it is in a prosperous condition. As far as the country stands at present, you have a vast number of unemployed people. Many of them are unemployable. They get no training. There are industries in which they can be trained and there is no reason why these people ultimately should not be employed in industries for which India has facilities.

Q. In other words you postulate the possession of an adequate labour force and a possible supply of capital and more than all, of raw material ? You merely require some organisation ? But that is in essence the infant industry argument. You have got the material here and you have got a large supply of labour.

A. I admit the infant industry argument is part of the general scheme. I do not exclude it. I go beyond that.

Q. Please give us an example of an industry which does not fall in that category for which you think you want special protection so that I may know where you draw the line between your view for general protection and the infant industry argument for protection, the former of which, as I understand it, strikes me as undesirable.

A. I would take a number of engineering works which started in Calcutta in the boom, about 1919-20-21, to make new machinery. I believe these were very large and very well

equipped factories and they were struggling to supply spare parts and machines for jute mills and cotton mills thus coming in from abroad. They had to close down because they were supplied at a lower rate than these works could produce at. I consider it is more in the interests of India to have these large engineering works, employing a large number of people and producing goods for which there is a market in India.

Q. Irrespective of their possessing the raw material in the country ?
A. The raw material is there.

Q. In other words, you do not go beyond the original argument for infant industries ?
A. I go beyond it.

Q. Supposing you have for the engineering trade to import iron ore and coal and then make your machinery. Is it feasible ?
A. A great deal of iron ore comes to England.

Q. That is different in England.
A. I would not say that India should import iron ore from outside. But the mere fact that the iron ore might be imported is not to me something unreasonable, because I say England is using imported iron ore from Spain.

Q. I should have said also specifically coal. Because the tendency has now been for labour and capital to go where the raw material is and for all the three to go where power is. We have to import coal and start the industry based upon coal. Is that an economic proposition ?
A. You mean for power purposes ?

Q. Yes.
A. It is done by a large number of countries. Vast quantities of coal went from England to Germany before the war.

Q. To a small extent.
A. There was a vast export of coal to the continent.

Q. That is mostly for transport. France and Belgium are not very far.
A. To me it is not unreasonable. That is all I should say.

Q. It is difficult to start any industry based upon import of power.
A. I should agree that it is not a thing to be done rashly.

Q. I do not think you yourself are so much an anti-free-trader as some of your arguments seem to suggest.
A. I am theoretically a free-trader.

Q. You said 5 annas increase would make no difference.
A. I say that if a man buys one pair of dhoties or even two pairs, it works out to that.

Q. And so the millowners will be able to get that additional sum on condition they are free from foreign competition. That is your view. They cannot do it now because the foreign articles are available at a lower price. Given protection they can do it ?
A. Well that remains to be seen. I would not forecast the results of the duty at all. It may be the foreigner would reduce his prices.

Q. But given shelter from competition, this can be done ?
A. Yes.

Q. Then, what is there to prevent his price rising by 5 annas more later on ? How do you limit the effect of the duty to the maximum of 13 per cent. alone ?
A. Immediately it goes beyond that, foreign goods would come in again under ordinary conditions as soon as internal prices rise.

Q. Therefore you look upon foreign imports as a sort of support to the consumer ?
A. Yes. It is a safety lever, where they fix their level of prices naturally. The various sources of supply re-act on one another and the level of prices in one place affects the prices in another.

Q. And it is a necessary safeguard for the consumer to whom it is always a choice between the home product and the foreign import, and anything that hinders the free operation of that competition is a point against the consumer—is a drawback to him ?
A. Yes. From that limited standpoint of the price to the consumer, he is at a disadvantage in that specific matter.

Q. And which is the more limited standpoint that—of the producer or the consumer ?
A. We cannot distinguish it at all. I take it that if a country is producing as much as it ought to, every man is at once a consumer and a producer. He is a consumer with an effective demand for goods, *because* he is a producer and he produces the goods which

are sold to the consumer. Of course under existing conditions where there are a large number of people who are producing nothing, they have no effective demand for anything. They are merely consumers and they are not producers.

Q. The producer of cotton cloth and the consumer of the cotton cloth are not one and the same. The producer is a narrower category than the consumer of cotton cloth.

A. Well, the producer of cotton cloth who wears a certain limited amount of cotton is a consumer and he produces much more than he himself uses. But if you look at it in the mass of the whole body of the consumers.....

Q. I am speaking just now of the contrast in the condition or in the position as between the cotton producer and the consumer of the cotton cloth. You are now willing to put a slight burden on the cotton consumer in the interests of the cotton producer who forms a smaller group and that assumes, does it not, that the producer is just now in need of this help? Why do you assume that a duty is necessarily wanted? Are you satisfied with what may be called the internal economy of cotton production to suggest this duty?

A. I am not prepared to say anything about the internal management of mills.

Q. That is a very important point.

A. I cannot give evidence upon that. I am not sufficiently acquainted with the internal management of Bombay mills. Of course it is a point that would have to be examined; but I am not prepared to express any opinions first-hand.

Q. Could you give any information about cotton mill production in Bengal?

A. No; not about the internal management of the mills.

Q. You have no data to say that production is being carried on at a point of maximum economy?

A. I could not say whether the managing agents are managing the mills effectively and economically without claiming an undue share of profits. I am not prepared to give an opinion on that—not at first-hand. My opinion would be of no value.

Q. How do you then support the case of protection?

A. I support it on the general ground that apparently the industry is unable to employ its workers. There are mills which are closed down and it is much better to have these people employed.

Q. Irrespective of the conditions within the industry? For example, a number of mills have been closed down in Bombay. Would you assume automatically that it is due to extreme competition?

A. Yes; I should assume that normally the depressed state of the mill industry is probably due to the competition from abroad until the contrary was established; because I take it that the competition between mills will be such as to keep profits normally within reasonable bounds unless exceptional circumstance such as a war and so on arise. In normal times there is competition between the mills themselves and new mills will be established if profits are unduly large and I take it that in Bombay if the managing agents of mills were making unduly large profits there would be a very distinct tendency for new mills to be established and the profits will be brought down.

Mr. Subba Rao.—Of course in Bombay they cannot start additional mills.

A. They can be started in other parts.

Q. Quite so. We are trying to find out whether the depression especially in Bombay is due to external competition or competition within the country and we hoped we could get some light from you whether the Bengal mills are well conducted. You say you cannot give any information on that.

A. No, I am not prepared to do so.

Q. You give an estimate of 1,500 million yards for handloom production. How do you arrive at that?

A. I get the census figures. The census gives the exact number of handlooms which they found in Bengal in 1921—so many fly-shuttle looms and so many without fly-shuttle. Then I make an allowance from these figures and I assume a production of 7 yards per day for 26 days in the month for a fly-shuttle loom. The ordinary production is 8 yards of standard cloth. The ordinary class is 8 yards in an 8 hours day. I assume 7 and I assume 20 days in the month. That is for the fly-shuttle loom. I estimate half that output for the ordinary loom without the fly-shuttle, and I get for all looms a production of 173 million yards of cloth per annum in Bengal.

Raja Hari Kishan Kaul.—Then you similarly work out the figures for all-India?

A. I calculate the all-India figures from the amount of yarn. That I admit is a more difficult figure to be certain about. One can't be certain about it, but I should say the figure is of the order of fifteen or sixteen hundred million yards.

President.—I think it is about 12 hundred millions ?

A. I would not stick to my figure.

Mr. Majmudar.—You suggest a duty of 13 per cent. on yarn and 20 per cent. on cloth?

A. I said if 13 per cent. is put on yarn I would suggest 20 per cent. on cloth in order to make a difference in favour of the handloom weaver.

Q. If as you say the cost of yarn in a dhooty is only 53 per cent. of the price of the dhooty itself, the increase in the cost of the dhooty will be to the extent of 53 per cent. of 13 per cent. That means the increase in the cost of yarn due to the additional duty would be only 7 per cent. of the price of dhooty ?

A. 6¾. Yes.

Q. And your suggestion of a duty of 20 per cent. would mean an additional duty of about 13 per cent. ?

A. Yes, it would come to that. It is merely to protect the market effectively. That is the sole object.

Q. It is not your idea to give the handloom industry a protection equal to the increase in cost due to the imposition of the duty. The figure you suggest is more than that ?

A. Yes, it is more than that.

Q. 13 per cent. more ?

A. Yes, it would come to that.

Witness No. 21

THE DIRECTOR OF AGRICULTURE, BENGAL

Written Statement dated the 28th September 1926

The Government of India recognises that the mill industry in Bombay is passing through a period of depression and they admit that there is thus a *prima facie* case for enquiry.

The contention of the millowners' association is that the mill industry has been placed at a serious disadvantage owing to the double shift working system employed in Japan and in the employment of women labour in contravention of the Geneva Labour Convention, in the unfavourable exchange rate between Japan and India and the special benefits conferred on Japanese trade by its Government in the matter of subsidy in shipping and trade and in its efforts in opening up trade centres in foreign countries.

Under the International Peace Treaty each State which is a member of the International Labour Organisation is entirely free to adopt the draft conventions as obligatory and furthermore, under treaty obligations with Japan, the imposition of differential duties on yarn and piece-goods imported from Japan, would involve a denunciation of the Trade Convention with Japan of 1905 as that country enjoys "the lowest custom duties applicable to similar products of any other foreign origin".

The imposition of a duty might have an effect in increasing the price of manufactured cloth, which would result in a hardship to the ryots themselves. The remedy is to be found in the first place in other ways than a tariff, which would be the last straw to save the industry from a depression as the industry adversely affects the Imperial revenues as has been noted in paragraphs 105 and 106 of the memorial of the mill owners.

If we look up the cost of the manufacture of cloth and compare the statement of 1914 with 1924 (Annexure A) we do not find that the percentages of the several items which go towards the cost of manufacture have materially changed, though the actual cost in the several items has increased very much as will be seen in the annexed statement. The relief in the large items of the cost of manufacture, may to some extent be met by better organisation of the trade, in the matter of reduction of freights and the application of a flat rate on manufactured articles despatched in wagon loads, through a co-operative organisation of the several mills for the distribution of their finished products in the more central markets of the country.

Some relief has been obtained through the temporary withdrawal of excise duty on cotton. The industry may well claim the attention of the Government in the abolition of import duty on mill machineries and stores and tools and a reduction, if not a total abolition, in the import duty on raw materials of the trade provided the suggested abolition or a reduction in these import duties does not unfavourably react on the Imperial revenues, but helps to a certain extent in reviving the industry and ultimately in building up the Imperial revenues.

The price of cloth has, however, not kept pace with the general level of prices and is correspondingly higher than the proportionate increase in the price of raw products of the country. It is admitted that the output of the local Indian mills contributes at present only about 55 per cent. of the total requirement of the Indian market although there has been some increase in the last 15 years as will be seen from the following table.

Proportionate demand of manufactured cloth in the Indian markets and production in Indian mills

Year	Total demands of Indian market in million yards	Production of Indian mills in million yards	Percentage of output of Indian mills
1909-10	3,010·8	963·8	32
1914-15	3,452·6	1,135·7	32·8
1919-20	2,418·7	1,640·0	67·8
1920-25	3,535·3	1,970·3	55·8

The import of Japanese cloth which is of a lower price also reacts unfavourably on the import of Lancashire cotton goods which are often of a finer fabric and satisfy the demands of the richer class of people who can afford to pay higher prices.

The imposition of a general tariff duty can only be considered after all the revenues as to the reduction in the cost of manufacture of cloth by Indian mills have been explored and the advantages received on the basis of a depreciated exchange and labour conditions have been met without contravening any of the treaty rights and obligations and the cost of manufacture in India is then found to compare unfavourably with the cost in other countries.

It is up to the Indian mills to find avenues for the absorption of their products in the country itself by vigorous propaganda and manufacturing cloth to suit the pockets of the various class of people, rich or poor. The hold of the Japanese cloth in the market rests on its cheapness though not on quality and on its attractive finish to the various commodities, giving greater prominence to beauty and colour than to the texture of the cloth. The Indian requirements and the psychology of the Indian needs seem to have been studied much more efficiently by the Japanese than by the Indian millowners themselves. If the Bombay millowners would rise equal to the occasion and help themselves, the question of a protective tariff will, to a certain extent, defer itself for some time to come.

They may for instance organise to buy kapas of uniform quality direct from the growers through co-operative organisations either manned by the Departments of Agriculture and Industries or by themselves without going into the speculative purchase of raw cotton in the open market. They may take to co-operative distribution and sale and get a reduction in freight thereby; they may create a growing demand for their product by organising proper advertisement methods, by affording better facilities for credit and banking and by similar means at their disposal. If all such endeavours on their part fail to put the trade on a proper financial basis, they can, I think, look to the Government for a protective and preferential tariff of some sort.

ANNEXURE A

	1914 Pies	Percentage	1924 Pies	Percentage
Coal	5·40	11·5	10·09	10·63
Stores	9·98	20·4	14·46	15·23
Labour	18·78	39	39·69	41·82
Office and Supervision	1·59	3·3	3·41	3·59
Fire Insurance	·55	1·13	1·67	1·75
Municipal and other taxes	·61	1·26	1·57	1·65
Interest	2·62	5·43	5·66	5·93
Commission on cloth	2·47	5·12	4·60	4·95
Excise duty	3·86	8·04	9·35	9·85
Dyeing charges	2·36	4·89	4·40	4·63

Witness No. 22

THE DIRECTOR OF INDUSTRIES, UNITED PROVINCES, CAWNPORE

Written Statement dated 5th September 1926

The position of the hand-loom industry in the United Provinces is that weavers at places like Tanda are giving up the manufacture of finer fabrics like Jamdani of Tanda for which there was a great demand sometime ago. The decrease in the demand for fine fabrics is due to the change in the tastes of the people. The demand for coarser fabrics like loongies, etc., is larger and more constant and it pays the weaver to make them in preference to fabrics which were used by the wealthy people. The weavers of these provinces now cater on a much larger scale for the needs of the middle and the poorer classes. The yarn used in the manufacture of cloth used by these classes can be made and is made in India, but the weaver has lately shown an increasing tendency to buy the Japanese yarn owing to its relative cheapness. The raising of the duty on imported yarn by another 13 per cent. will result in an appreciable rise in the price of imported yarn and the weaver will then give up the imported yarn in favour of the indigenous. Most of the counts used at present by weavers can be supplied by Cawnpore and other manufacturing centres in India, but the yarn made by the Indian mills cannot compete in the matter of price with the imported yarn.

As soon as the price of the imported yarn rises as a result of an enhancement of the duty weavers will give up using the imported yarn and use the indigenous and owing to increased demand for Indian yarn for the hand-loom industry there will be competition amongst the mills in the country and this competition will prevent any appreciable rise in the price of country-made yarn. There is, therefore, no chance, in my opinion, of the hand-loom weaving industry being adversely affected by the proposed duty of 13 per cent. on the imported yarn. On the other hand it will enable the yarn manufactured in the country which is quite suitable for the manufacture of the great majority of cotton fabrics made by hand-loom weavers to regain the hold it once had on the hand-loom industry.

In the beginning there will be a little rise in the price of hand-made cloth but the rise will be of a transient nature. Nor will the increase be large. It will be just enough to compensate the weaver for the rise in the price of yarn without affecting the purchasing power of the consumer. The imposition of 5 per cent. duty on the imported yarn in 1922 had no prejudicial effect in these provinces on the quantity or price of yarn supplied to the hand-loom industry. On the other hand the imposition was too small to have prevented the inflow of cheap Japanese yarn which is increasing to an alarming extent.

Witness No. 22

THE DIRECTOR OF INDUSTRIES, UNITED PROVINCES

Oral evidence of Khan Bahadur Chaudhri Wajid Husain Sahib, recorded at Cawnpore, on the 6th October 1926

President.—How long have you been Director of Industries ?
A. For four years.

Q. Have you any special experience of the textile industry beyond the information in regard to the handloom industry and the mill industry which you have gathered since you became Director of Industries ?
A. No, except that I was Joint Registrar of Co-operative Societies for about four years before I came here and had as such to deal with weavers' societies. But that did not mean very much to the way of getting experience of industries.

Q. How many handlooms are there in the United Provinces ?
A. According to the last census we have about 731,000 weavers. That means a decline on the figure of the previous census, 853,000.

Q. And has there been any change since that census ? Has there been any change in the last five years ?
A. The most important change has been the increased use of 'Japanese yarn. That is one of the changes.

Q. What I wished to know was whether there has been a further decrease in the handloom weavers and if so to what it is due.
A. It is difficult to say, because the last census was taken in 1921 and it is very difficult to say whether there has been any reduction since then.

Q. Of course it is but I want to know if you have been able to form any general impressions on the subject ?
A. I think except what I said the position is practically the same as it was in 1921.

Q. You say the handloom weavers are now going in for coarser fabrics.
A. That is not a recent development. I am speaking of the change that set in with the change in the tastes of the people. There were a lot of old fashioned people who used to use things like *jamdani*. Fine fabrics of the kind were in fashion in the olden days, but the tastes have changed and people are now using European garments more and more.

Q. You think that the increased use of the European garments has affected the handloom weavers ?
A. At certain places very seriously indeed. For instance, at Tanda in the Fizabad district where it used to be a very paying industry. But they have almost abandoned the weaving of *jamdani* and other fine fabrics of that description.

Mr. Subba Rao.—What exactly is *jamdani* ?
A. It is a fine cotton fabric.

Q. Of which you make long coats ?
A. Yes.

President.—I am not quite clear about your views on the subject of the effect of an increased import duty. In one place you say 'the raising of the duty on imported yarn by another 13 per cent. will result in an appreciable rise in the price of imported yarn', and in another place you seem to say that it would not.
A. Please read the other passage with which you consider this to be inconsistant.

Q. A little later you say 'in the beginning there will be a little rise in the price of handmade cloth'. But surely if you have a 13 per cent. duty on both yarn and cloth, if there is an appreciable rise in one, there must be an appreciable rise in another.
A. Not necessarily. The increase in the price of cloth need not be proportionate to the increase in the price of yarn, because in the case of cloth made of fine counts the price of yarn is a comparatively small factor in the ultimate analysis. I will take an hypothetical case. Take the case of the finer dhoties. They fetch from 2 to 4 rupees and often more. They are about 6 to 7 yards. That means you would need about 1½ lbs. of yarn for each dhotie. The price of a pound of yarn according to the existing rates would be Rs. 1-8-0. Now in calculating the cost of production the extra cost involved as a result of the raising of the duty would only be about annas 2 to 4. That would not seriously

affect the purchasing power of the type of the people who purchase these dhoties. They are intended for the middle class and upper class and not for the poorer classes. Then the higher the count, the smaller the weight.

Q. I am not quite clear what your views are. Do you consider that an increased duty should be imposed on all yarns or that it should be confined to particular counts ?

A. I would suggest 30s to 60s, including 60s.

Q. You suggest a duty on what ?

A. On counts 30s and upwards up to 60s including 60s.

Mr. Subba Rao.—Not below 30s ?

A. No.

President.—Why would you place the line at 30s ?

A. In the first place, there is no competition worth speaking of between Japanese yarn and country made yarn up to 30s.

Q. There is between 30s and 40s ?

A. Yes.

Q. What about the cloth ? Would you have the same limit there ?

A. Yes.

Q. Would not the trouble be if you impose a duty on 30s, that Japanese would send 29s or 28s and similarly with the cloth ?

A. That will be a matter of further consideration any way.

Q. There is at any rate that danger, is there not ?

A. We have to face the present position.

Q. But how will a duty on 30s yarn or 30s to 60s help you ? It might help the mills, but how would it help the weaver ?

A. I don't say that it will help the weaver. All I say is that it will not seriously affect him.

Q. But if you raise the price of 30s to 60s yarn, won't there be a rise in the price of yarn below 30s in sympathy ?

A. The position with regard to counts below 30s is very different from the position with regard to counts 30s and upwards. Take the case of 16½s and 18½s. At certain places people took 16½s and 18½s Indian in preference to Japanese of the same counts, because the Indian stuff was cheaper.

Q. But it is your opinion that the imposition of the present 5 per cent. duty has had no effect ?

A. No effect worth speaking of.

Q. If 5 per cent. has no effect, is it likely that 13 per cent. will have any effect ?

A. I should think so. It is a much bigger figure.

Q. It would not have a mathematically proportionate effect ?

A. It is not a question of mathematics. You cannot say that where 5 rupees will not make an appreciable difference, 18 rupees would not. From the fact that Rs. 5 did not make any difference, you cannot argue that Rs. 18 would not.

Q. My point is that it would not make 3 or 3½ times as much difference ?

A. Well, it will make sufficient difference.

Q. Of course, you realise that we are looking at this matter specially from the point of view of the mill industry.

A. I think I was asked to say what the effect on the handloom industry would be. I am looking at it chiefly from that point of view.

Q. Yes, naturally. But what we have to ascertain is how the acceptance of the 18 per cent. duty on yarn and 28½ per cent. duty on cloth would affect the handloom industry.

A. I don't think it will seriously affect the handloom industry.

Q. If you increase the price of cloth by an additional 17½ per cent. or by a figure which falls short of that, say 10 per cent. would not that restrict consumption ?

A. The consumption in the case of the higher counts is limited to people to whom a difference in price such as will be caused by the increase will not mean very much. The poorer classes use cloth which is made of counts 5 to 28 or 30s. The fabrics which are made of counts from 30s and up to 60 are, as I have said, used by the middle classes and the upper classes ; and to them a small increase such as you contemplate will not make much difference, because the price of yarn is, as I have said, a comparatively small factor. The middle class buyer would not mind paying Rs. 3 or Rs. 3-8-0 for a dhoti for which he is at present paying Rs. 2-8-0.

Q. You think he would not mind ?
A. I don't think he would.

Q. But in any case, what is the justification for imposing an additional duty on yarn of counts between 30s and 40s or 30s to 60s and on cloth of similar counts in view of the fact that the Indian mills are at present not equipped to meet more than a small proportion of the requirements of India for cloth between those counts ?
A. Do you take it for granted that the mills are unable to make yarn beyond 30s ?

Q. I do not say they are unable. But what I do say is that the figures show that they are at present making only a very small amount of yarn of above 30s counts.
A. They would go beyond 30s if there is demand.

Q. Where are they going to get the cotton from ?
A. After all, some of the mills are making finer counts from Uganda and other cotton and if they had not to face competition from Japan they would probably be making more finer counts.

Q. Do you consider that there is justification for our giving protection to goods which cannot be manufactured from raw material available in this country ? If you have to import your cotton, what justification is there for putting a duty on goods manufactured from it ?
A. The question whether raw material has or has not to be imported is not the main basis for determining the duty to be levied. Is it ?

Q. It was the test laid down by the Fiscal Commission, which says that the industry must have a natural advantage. Is that not so ?
A. Yes. But there are other points to be considered. I cannot agree that if the raw material is not drawn from the country itself, there should be no protection.

Q. Is it your view then that if you put an increased duty on imported yarn, the weavers will give up all counts above 30s and manufacture cloth of counts below 30s ?
A. No ; I did not say that.

Q. Well, you say the raising of the duty on imported yarn by another 13 per cent. will result in an appreciable rise in the price of imported yarn and the weaver will then give up the imported yarn in favour of the indigenous.
A. That is different from what you said.

Q. You suggest a duty on counts between 30s and 60s and if the weaver gives up imported yarn of counts between 30s and 60s, it follows that he must use counts below 30s.
A. Not necessarily. He will take indigenous yarn.

Q. He cannot do it.
A. I do not agree. Even in Cawnpore there is one mill which has started making 32s and I believe that if there is encouragement, more mills would manufacuture yarn between 30s and 60s counts.

Q. But the weaver cannot get the yarn at present.
A. It is not impossible for the mills to manufacture it.

Q Until he can get it, he will suffer.
A. But some of the mills are actually manufacturing it.

Q. But they are only manufacturing a very small portion of the requirments of India.
A. As a matter of fact, the quantity of yarn required between 30s and 60s is not so considerable at present as not to be within the power of the factories to produce it.

Mr. Subba Rao.—I do not quite catch you.
A. Yarn between 30s and 60s is not required in such large quantities as to make it impossible for the mills in India to make those counts.

Raja Hari Kishan Kaul.—You say here, ' as soon as the price of the imported yarn rises as a result of an enhancement of the duty weavers will give up using the imported yarn ' ; and you say the manufacture here is mostly from lower counts ? Is it not ?
A. Yes.

Q. Then if the duty were imposed on counts below 30s, the result which you describe here would be more likely to happen.
A. In what way ?

Q. If counts below 30s are taxed, then the Japanese yarn will become more and more expensive and the weavers would buy the Indian yarn and if you do not put any duty on 30s and your weavers want yarn below 30s, then the Japanese yarn will come in freely

as it is coming now and therefore the local weaver will be purchasing that yarn in preference to the Indian yarn.

A. Well, the mill industry is so well organised for the production of yarn up to 30s counts that I think it can very well face competition up to 30s.

Q. We were told that Japanese 20s yarn was underselling Indian mill made 20s yarn.

A. In one or two places I have known people preferring Indian 16½s and 18½s to Japanese same counts, because it was cheaper.

Q. But it is not cheaper now. Do you know the comparative prices ?

A. No ; I do not know the up-to-date prices.

Q. The Japanese yarn of 20s and thereabouts is cheaper just now than the Indian mill made yarn.

A. Are you quite sure of 16½s and 18½s ?

Q. I do not know. We went to some mills this morning.

Mr. Majmudar.—The Japanese yarn in these counts would be at a disadvantage here due to railway freight.

Raja Hari Kishan Kaul.—But still they said that on the yarn they were losing and they are spinning mostly lower counts.

A. I think our mills are very well organised for producing counts up to 30s.

Q. In Cawnpore because the Japanese yarn has to pay a heavy railway freight.

A. That was not my only reason.

Q. You think the Bombay mills can produce coarse yarn cheap enough ?

A. I do not know anything about Bombay. I cannot hazard an opinion about anything that I do not know. My observations are based on my experience, what little it is, of this province.

Q. You think that up to 30s there is no need for protection ?

A. No.

Q. But is there any need for protection above 30s ?

A. Most decidedly.

Q. Above 30s you think there is need for protection ?

A. Yes, I will give you an instance of another place where within the last two years Japanese yarn has been used to such an increasing extent that 50 per cent. Japanese yarn is now used.

President.—Where is that ?

A. It is Tanda, in Oudh.

Raja Hari Kishan Kaul.—What are the counts imported there ?

A. 32s and 40s chiefly.

Q. One can understand that because there is a large import of Japanese yarn between 30s and 40s. But why go above 40s then ?

A. I think it would encourage our mills to make finer counts.

Q. But they are not making very much above 40s just now.

A. They are making them to a certain extent.

Q. Very little.

A. In another place Man Amia in Allahabad—they are using 60s and 120s.

Q. That would be a reason for not imposing any additional duty on higher counts, so as to allow your weavers to get cheaper yarn of higher counts. But you are, on the other hand, proposing a tax on the higher counts—30s to 60s that is, the medium and fine counts, and you want to leave the lower counts alone, up to 30s. If you tax counts up to 60s, your weavers will not get the yarn cheap, that is, counts 30s to 60s.

A. My chief object is to have as little of Japanese competition as possible and Japanese competition, I believe, extends up to 60s.

Q. Your suggestion should then be that Japanese yarn should be taxed up to 40s, because most of it's imports are between 30s and 40s. That is you might suggest that Japanese yarn should be taxed up to 40s ?

A. I say 30s to 60s.

Q. That will make the yarn most expensive to the weaver.

A. I am not sure. As I say, the higher you go, the less important is the price of the yarn. Cloth then becomes a production of art.

Mr. Subba Rao.—I am interested in that point about prices and taxes. You suggest that a tax will only mean a slight rise in prices which will not diminish any demand.

I think you said that should prices rise to a slight degree on account of an import duty of 13 per cent. that would not very seriously affect the purchase of the commodity ?

A. No.

Q. I am interested in that, because it is rather difficult to believe that that will not affect it, because otherwise there is no reason why people should at all make any reduction in consumption. If a small reduction in prices will not stimulate demand, they need not make any reduction at all. As I understand the law of demand owing to rise in prices is bound to affect consumption. If you take a commodity, say a pair of dhoties, there I understand 2 annas will not make a difference. But when you take the whole community, what we feel is people will buy say 100 pairs less. The man who buys 10 pairs will now probably buy 9 pairs ; so that I do not understand how you work out that idea that because the increase in prices is small there will not be any diminution in demand.

A. I do not remember exactly what I said. But if you read out what I said, I believe the whole trend of my argument was that the increase will not be so appreciable as to cause any hardship. There will be some increase undoubtedly and the people will be inclined to translate less of their purchasing power into the purchase of these garments. But it won't mean any hardship for the obvious reason that these fabrics made of 30s to 60s counts are intended for the richer people.

Q. You mean their demand is non-responsive ? That is, it will remain the same, irrespective of a small change in prices ?

A. Yes, practically.

Q. But are cloths made of 30s to 60s counts consumed by what you call richer classes ?

A. They are certainly consumed by people who, as I say, are the middle and richer classes and perhaps also the lower middle class.

Q. If you include the lower middle classes, is not the price of cloth to them a serious consideration ?

A. It is not a very serious consideration if it is a matter of a few annas.

Q. You take it in the aggregate and see what it comes to.

A. You cannot say that it will cause a hardship.

Q. We are thinking of a reduction in demand.

A. The demand is a very flexible thing. If they do not buy this stuff, it will be some other stuff. It is not a necessity.

Q. Quite so. Then the rich man would buy a less costly stuff. The next class will buy a still less costly stuff, till you come to a class of people who would not buy anything at all. In that way there is a diminution in demand.

A. There will be a decrease in demand. But it will not be considerable. You cannot raise the price of any article in the world without a decrease in the demand. But the question is whether the decrease in the demand will be of any serious consequence.

Q. To the trade ?

A. To the trade. I do not think it will. A large number of people really do not know the prices. The same article is sold for Rs. 2 in one district and for Rs. 3 or 4 in another district.

Q. That is so even now. Assuming that difference in the different markets, when the prices rise it is bound to affect demand.

A. Yes. It is going against economic laws to say that there will be no decrease in demand. All I say is that the increase will not be considerable.

Q. You suggest, should there be increased demand for Indian yarn as a result of a higher duty on the imported yarn, there will not be any appreciable rise in the prices of the country made yarn because of the competition amongst the mills in the country ? That is, the mills compete amongst themselves and bring down the price more or less to the present level or a higher level. Suppose you put an additional duty of 13 per cent. on imported yarn of counts 30s to 60s. You suggest that there won't be an appreciable rise in the price of the Indian mill made yarn, because of the competition between the Indian mills. Why is that ? What is the assumption ? Is it that at present prices or approximately the present prices, Indian mills are able to get on and make both ends meet ?

A. Well, because at present the demand is disturbed by foreign competition and therefore when there is no foreign competition, they will be able to manufacture more to meet increased demand and more mills will begin to manufacture.

Q. You assume there will be additional production ?

A. Yes.

Q. And that would lead to a lowering of prices ?

A. That will prevent any alarming rise in prices.

Q. A considerable rise in prices ?
A. Yes.

Q. Then how would that pay the mills ? If owing to competition prices do not rise, will it help them ? Because as we understand them just now, they are making losses.
A. It may not help them in the beginning, but it will pay them eventually. Once they have successfully combated Japanese competition, it will pay them.

Q. How ? How can they combat successfully ?
A. By protection.

Q. That is, you are postulating something like increased production in the same mills, greater economies and thereby you lower the cost of production.
A. I am afraid I do not quite follow what you say.

Q. At present we have been given to understand that the mills are compelled to sell their yarn at prices which do not cover their expenses of production. Therefore if you give protection the result is that the new prices must be equal to their present expenses of production. Therefore prices are bound to rise. I do not see how internal competition.
A. Isn't it possible ? It is possible to raise prices sufficiently to make it profitable for the mills to manufacture goods without raising them so high as to cause hardship to the consumer.

Q. In other words the additional protection is not necessary ?
A. That is not what I say.

Q. Then, what do you mean by "hardship" ? At what point do you suggest is there hardship to the consumer ?
A. It is very difficult to put it in figures.

Q. The consumer expects to have prices as low as possible ?
A. It is difficult to put it in figures.

Q. If the contention be true that at present they are selling at a loss prices must rise to the full amount of the tax assuming you are putting on a tax equal to the difference in the c.i.f price of imported yarn and the expense of production of the Indian mill made yarn. I do not see how prices can come down by competition because it is only by a rise they can produce profitably.
A. That is a matter that requires detailed examination with reference to figures, but as a general observation I think that the prices will not rise considerably.

Q. I can understand the position if for example they are setting their expenses now. If you put on a duty and thereby keep out the foreign goods, and if they are afraid of potential competition they might bring the prices down to the present expenses of production.
A. It is possible to keep prices up to a certain level. I do not think there will be such a cut-throat competition in these things as to make it impossible for the mills to manufacture remuneratively.

Mr. Majmudar.—You propose taxing counts from 30s to 60s ?
A. Yes.

Q. That is due to the fact that according to your knowledge Japanese yarn below 30s is not coming here ?
A. Yes. At any rate it has not been able successfully to compete with Indian yarn.

Q. But if beyond this province 20s yarn is competing with Indian yarn would you agree to put a higher import duty on Japanese yarn ?
A. I would not like to say anything about things outside the United Provinces.

Q. We have got the figures for the whole of India. The import of Japanese yarn of 16s to 20s was 5,928,000 pounds against 19,000,000 lbs. of 31s to 40s. So Japan does export 16s to 20s to a considerable extent.
A. I cannot say anything about things outside this province.

President.—Have you any information about wages in the cotton textile industry, which you could give us ?
A. I collected some figures in connection with an inquiry instituted by the Government of India and I have got those figures in my office.

Q. In connection with what ?
A. I will send that file to you to enable you to see what it relates to. The information has not been tabulated. We are collecting some information in connection with the cutting down of wages.

Q. Would it not be better to tabulate the results ? You are busy, but we are a very busy body too. If you could send us some tabulated figures showing the course of wages.....

A. Would you like to have that information in a tabulated form ?

Q. Yes.

A. I shall be pleased to send any information I have got.

Q. I do not think there is anything confidential about it ?

A. If I send you anything you can treat it as non-confidential.

Q. You have collected some information. The best plan is to have it tabulated....

A. This information was collected with regard to the cutting down of wages. Whether that will be of use to you I do not know.

Q. Any information you have on the course of wages in the textile industry in Cawnpore and in the United Provinces generally would be of the utmost use, I can assure you. It would be very valuable indeed. You need have no fear about that.

A. I shall be glad to send it to you. Whatever I send can be treated as non-confidential.

Mr. Subba Rao.—You have been publishing economic surveys of important districts ? A. Yes.

Q. Is Cawnpore included ?

A. Yes.

Q. Could you send us a copy ?

A. Yes. These books were written by people who are non-technical men, like myself. So you must not expect very much from them.

Q. I have seen one or two. They are very useful.

A. I am glad to hear that. If you want any more I will send them.

President.—I understand from the mills that we have been round that you are making some enquiries about the extent of their welfare work ?

A. Yes, but we have not got anything in writing. I go personally to see these settlements but I have got no reports or notes written about them. I take a personal interest and go round.

Q. You have sent out rather an elaborate questionnaire. Have you not ?

A. Yes.

Q. We visited the Cawnpore Cotton Mills this morning and we were given a copy of their replies. For what purpose was that enquiry instituted ?

A It is connected with welfare work.

Q. For what purpose has that enquiry been instituted ?

A. I could not tell you precisely under what particular orders of Government it was instituted.

Q. You have not got all the replies in as yet ?

A. No, but if you like me to send you the replies in a tabular form I shall be glad to do so.

Q. In any case you can tell us from an examination of the records how many of the cotton mills have welfare departments attached to them ?

A. That I could roughly tell you. Very very few I am sorry to say.

Witness No. 23

THE DIRECTOR OF AGRICULTURE, UNITED PROVINCES

Written Statement dated 22nd September 1926

The only question on which I have any remarks to make is No. 116. I consider that an export duty on cotton would be detrimental to the cotton growers of the United Provinces; they would pay a large percentage of the levy by getting reduced prices for their cotton. It is difficult to say how much of the duty would fall on the grower and how much on the foreign buyer. Suppose it is divided equally between them. (The duty would presumably be something more than nominal, otherwise it cannot benefit the Bombay manufacturer to an appreciable extent.) This province would be affected in two ways:—

(1) Cotton is a very precarious crop, since it is liable to great damage from variations in rainfall. In about three seasons out of five it suffers from too much or too little rain at critical periods of its growth, and a greatly diminished outturn is the result. Because of this, the grower has little inducement to spend either care or money on cotton cultivation. As agriculture improves and becomes more intensive, cotton as grown in the United Provinces will tend to become more and more a crop of the tracts where cultivation is less secure. On account of poor prices and bad seasons the crop at present is not a very profitable one; an export duty will make the crop still less profitable to grow and will cause a decrease in area. This will affect the spinning industry of these provinces as well as agriculture. The local spinners desire a bigger area under cotton in the province and not a gradually decreasing one.

(2) By penalising the foreign buyer an export duty would affect the cotton growing industry of these provinces in another way. The cotton grown here is short in staple and poor in quality; it is useless for spinning anything but the lowest counts. In consequence the demand is limited and only a few countries compete as buyers for it. The tendency nowadays in most countries is to increase the machinery for fine spinning much more rapidly than that for coarser work. The future is therefore likely to see an increased demand for good staple cotton while the competition for short staple will probably become less keen. A duty which makes short staple cotton dearer to the buyer will accelerate the tendency to turn to a longer stapled type. So far, experiments indicate that, on account of the unfavourable climatic conditions, really good staple cotton cannot be grown profitably in the United Provinces. At least for very many years to come the bulk of our cotton will be of the short fibred kinds at present grown. I think therefore we should not support a measure which will on the one hand directly tax the grower, and on the other tend to lessen the already limited demand for the only type of cotton the province can grow.

Witness No. 24

THE INDUSTRIAL SURVEYOR, DELHI

Written Statement dated 15th September 1926

SECTION I

General

1. The present depression in the cotton textile industry also extends to the province of Delhi. To my mind, although there is depression in the industry it does not seem to be so acute here in Delhi as it is in Bombay. As far as the acuteness of depression is concerned it is not uniform in the case of several cotton mills that exist in the province. Perhaps, this is due to the advantageous position in which some mills are placed in the matter of finance, reserve funds, etc.

2. It is very difficult to express any opinion on this point. But I think the depression is largely attributable to world factors; also to a certain extent to the appreciation of the rupee.

3. I am of the opinion that the depression in the industry is of a temporary nature.

4. The mills which have not got adequate financial backing are very likely to close down if conditions in regard to the difference in the price of raw cotton and the price of yarn and piece-goods do not improve.

5. Yes, those who cannot hold their stocks any longer are selling their products sometimes at a loss and mostly with no profits.

6. In my opinion the fall in the price of raw cotton may not augment the prosperity of the industry as this factor alone cannot contribute to it, unless there is greater demand for the products and the latter can only be possible with less foreign competition, especially that from Japan.

7. Not to any great extent.

9. It seems that there has been a fall in the purchasing power of the ryot which has undoubtedly to a great extent contributed to the depression in the mill industry.

10. No, because I am of the opinion that there is not enough money with the consumer and this fact is in reality responsible for the decrease in his purchasing power. He cannot therefore obviously invest in gold and silver. On the other hand, when the price of gold was ruling high there was a tendency on the part of the people of this country to invest their savings in the precious metals. It was then also that their buying power was comparatively much greater.

11. Not that I know of.

12. None. But I think that one mill, namely, the Khalsa Spinning and Weaving Mills in Delhi might have extended their operations and also rebuilt the burnt portion had the mill industry been in a prosperous condition.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. As expressed above, the depression is mainly due to the dearth of demand. That being the case, the collapse of the Chinese market was a misfortune for the Indian mills and is to an appreciable extent responsible for the present depression. Foreign competition and scarcity and dearness of freight are solely responsible for the heavy fall in the exports of yarn to China. The expansion of the weaving industry in India is to a certain extent the result of the fall in the exports of yarn rather than a cause.

14. The present depression in the industry is chiefly due to increasing competition from Japan which is a fresh factor affecting the textile industry of India.

15. Principally, coarse yarn, *i.e.*, up to 20s and coarse cloth.

16. Not available.

23. It is apprehended that so long as the present favourable conditions continue, namely, the unrestricted hours of work, State aid, labour facilities, exchange, low freights, banking facilities, etc., the imports of piece-goods into India will increase to the detriment of her indigenous industry.

24. Owing to the poverty of the people, the average Indian consumer looks more to the cheapness of an article and for this reason the Japanese piece-goods being comparatively cheap readily find a market in this country. From this point of view, it is felt that the competition is likely to increase in the future although the Japanese piece-goods are generally inferior in quality to those of their rivals from the United Kingdom.

25. To a fairly large extent. There is no criticism to offer.

26. So long as the depreciated exchanges of foreign countries are allowed to continue as they are at present in most of the cases, the competition from those countries is likely to increase.

27. It is generally believed that the high rate of exchange is detrimental to the healthy growth of industries of this country. If therefore the exchange is fixed at 1*s.* 6*d.* the textile industry will suffer. On the other hand, there is a belief that the agriculturist gains by high exchange. The theory is however debatable. There are many who believe and adduce good reasons in support of their argument that low exchange is also beneficial to the ryot. As this is a perplexing question I feel diffident to express an opinion although I am in agreement with the latter view.

28. The problem of labour is certainly a great factor in facilitating effective competition but this factor has always been existing and the present depression in the industry cannot therefore be largely ascribable to it. On the other hand, it will be recognised that labour conditions in India are daily improving—weavers, jobbers, piecers, doffers, reelers, dyers, mechanics, etc., are getting more efficient than they were ten years ago.

29. No specific information is available but it is generally believed that in some of the exporting countries State aid does exist both in direct and indirect shapes.

30. No information of a definite nature on this point is available.

31. Not much.

34. No.

Section III

Internal competition

36. The Bombay mills enjoy several advantages over the mills in Delhi, as for example, (*a*) No railway freights on machinery and mill-stores are borne by them at all. (*b*) They have labour facilities, for instance, Bombay labour is much more skilled and less migratory. (*c*) Cheap and ready expert technical advice and assistance are available on the spot. (*d*) The climatic conditions are decidedly favourable.

37. The mills in Delhi have some advantage over the mills in Bombay in the matter of coal supply. The advantage owing to proximity to up-country markets seems to be doubtful. On the other hand, the Bombay mills enjoy perhaps greater advantages in this respect since they can export their products with much greater facilities than the mills in Delhi. There appears to be no special advantage gained by the Delhi mills over the mills in Bombay in regard to raw materials.

38. There does exist a noticeable competition between the handloom industry and the mill-industry as far as coarser goods are concerned but such competition to my mind should not affect the mill-industry. On the contrary, I think there has been a set-back to the handloom industry because of the favourable position held by the mill industry. In my opinion, the handloom industry should be fostered and even if such fostering affects the mill industry in any appreciable degree no attempt should be made to cripple the handloom industry. The mill industry ought to take care of itself against competition if any from the handloom industry.

39. There are no exact figures available.

Section IV

Mill management

40. So far as my experience goes the cotton mills in this province are efficiently managed and do satisfy the criterion laid down in the British Safeguarding of Industries Act.

41. The managing agency is to my mind defective in that it often relegates unto itself such powers as are not generally regarded in the interests of the shareholders. At the same time, I cannot help thinking that as the managing agents are financiers and underwrite a large percentage of shares in floating joint-stock companies they are at present essential concomitants of the industry and cannot be advantageously replaced.

42. Commission on profits is common. Commission on production in this province is not known. Commission on profits up to a limited amount on a sliding scale is preferable.

43. No.

44. Yes, it is common and is detrimental when interests of the industry and those of the managing agency are at variance. I am informed, though I am not quite sure, that some of the managing agents are interested in the purchase and sale of cotton and mill

products on their own account. It is conceivable that in case of losses the managing agents put them on mills' accounts as direct transactions while the majority of the profits when they make such in the purchase of cotton or sale of mill-products are usurped by them. This is reprehensible and should be stopped by legislation.

Section V

Mill finance

45. So far as the province of Delhi is concerned no mill is over-capitalised but there are some which feel the pinch of dearth of money. This financial stringency may bring about collapse in certain cases, at any time.

46. None.

47. No.

48. None.

49. The short term loans are not generally resorted to by the textile industry of Delhi. Such practices are not considered wholesome.

50. There is none and the practice is very unsound.

51. Yes, to a certain extent as lack of finance generally handicaps the industry.

52. At round about 8 per cent. in India ordinarily, but in times of greater need this rate is enhanced. The rate prevalent in Japan is not known.

Section VI—Cost of Production

(*a*) *General*

53. The larger the number of spindles and looms equipped in a mill the lesser the running cost. In my opinion 25,000 spindles and about 700 looms will constitute efficient and economical working. The capital required for such a mill having plenty of air and light and constructed on modern principles will be in the neighbourhood of thirty lacs of rupees. In pre-war days the capital required would have been approximately twenty lacs.

54. Yes, they appear to be so generally.

55. To an appreciable extent but most of the machinery employed in the Delhi mills is not old.

56. No reliable figures are available.

57. In respect of efficiency and facilities of labour, exchange, low freights, banking facilities, facilities for the supply of stores and perhaps cheap power.

58. The mills in Bombay are at an advantage over the mills in Delhi especially in the matter of skilled labour, facilities for the supply of stores and climatic conditions. There is apparently no disadvantage save in regard to the cost of coal. In this respect also some of the Bombay mills are using hydro-electricity and others crude oil, thus bringing down their cost of motive power.

59. The production is enhanced by about 10 per cent. by the use of humidifiers.

(*b*) *Raw material*

61. None in this province.

62. Such conditions do not obtain in Delhi.

63. Nothing that I know of.

(*c*) *Labour*

70. To a great extent. As compared with Delhi labour in Bombay is far more skilled and efficient.

71. There is a very small percentage of female labour employed in the Delhi mills.

75. To the extent of about 40 per cent. of their labour. The housing conditions are known to exert some influence on the continuity of labour.

76. At present there are no such institutions in existence in this province though the need for one is keenly felt.

78. Yes.

79. Yes. I do not think so.

80. In the distant future it is presumed.

82. The dearth of skilled labour does not make it possible to introduce double shift working.

(d) Overhead charges

85. Generally for fire and workmen's compensation.

(e) Sales

90. Not in this province.

92. Yes. This is also ascribed as one of the chief causes of the depression.

(f) Transport

95. In this connection please see the note prepared by the Delhi Factory Owners' Federation, Delhi.

[*Printed with the Written Evidence of the Delhi Factory Owners' Federation, Delhi*]

SECTION VII—*Suggestions as to remedial measures*

(a) Suggestions put forward by the Bombay Millowners' Association

96. Yes.

97. Yes. This was an extraordinary measure to meet extraordinary circumstances and should therefore be abolished now.

99. and 100. The Delhi Factory Owners' Federation, Delhi, have collected facts and figures to the effect.

101. Yes, a reduction in the shipping freights will undoubtedly afford facilities for export and is a measure in the right direction.

102. I have no views to offer.

103. The facilities for transport combined with State-aid in some form or other appear to be the sole factor which can be of material assistance to this effect.

104. I think an import duty should be imposed on all foreign piece-goods and yarns below 30s. I am personally of opinion that if without disturbing the Japanese Convention any heavy duties can be levied on the Japanese piece-goods it should be done forthwith. No additional imposition of custom duties on the British piece-goods will then be necessary for the reason that when there was no Japanese competition the Indian mills thrived well inspite of competition from Lancashire.

105. As a temporary measure.

106. This will result in the increase of prices of all kinds of cloth and yarn but as it is suggested that the levy of increased duty should be a temporary measure its effect in raising the prices of imported yarn and piece-goods should also be temporary and will not affect the middle and lower classes to any great extent. There is however bound to be some hardship on this account but it will greatly be counterbalanced by the resultant effect in stabilising the textile industry in this country which undoubtedly requires some form of subsidy at the present moment.

107. To a reasonable extent.

108. Throughout the whole of India.

109. Yes. Please see answer to question 106.

111. No, unless the duty is unbearably high there should not be any appreciable depreciation in consumption.

112. Nothing.

113. Please refer to a separate note on the subject attached (Annexure A).

114. The principle seems to be sound.

(b) Other suggestions

116 and 117. I am not in favour of any export duty on cotton, in as much as I think that such a duty will adversely affect the sale of Indian cotton in foreign countries and little by little India will lose her overseas markets which will be a calamity to the Indian agriculturist (Annexure B).

118. An extension in the operation of the activities of State banks will undoubtedly benefit the industry.

119. Yes, but this is difficult to achieve.

121. Yes. None in this province.

122. Yes.

123. Yes.

124. Not to a very great extent owing to the depression in the industry.

125 and 126. The following are some of the important ones as far as the province of Delhi is concerned :—(*a*) The provision of railway-sidings for mills. (*b*) The encouragement in the direction of cultivating long staple cotton. (*c*) The reduction of railway freights for piece-goods to Calcutta and other consuming centres. (*d*) The provision of technical education for labouring classes.

Annexure A

A note on the possible effect on the handloom industry of an increase in the import duty on yarn

The handloom industry in this province is not organised to any marked extent. There exists however some competition between the handloom industry and the mill industry and the fact is noticeable by a decrease in the number of handlooms, in recent years. The importance of the handloom industry cannot be ignored from the point of view of economics, and any increase in the duty on imported yarn requires to be thoroughly investigated with the utmost caution. The increase in the duty beyond 5 per cent. is expected to result in the enhancement of the price of the cloth and this is likely to prove an adverse factor in curtailing the demand for the products of the handloom. The ultimate consequence will be that the handloom weaver, ill-organised as he is at present, will be hard hit as it is not possible under existing conditions for him to meet the rise in the price of yarn by correspondingly raising the cost of his cloth. Having limited resources at his disposal he will have therefore to live on his own fat to some extent. On the other hand, the duty on yarn will give a decisive advantage to the powerloom with which the handloom weaver has to compete to an extent as far as coarser goods are concerned. The majority of the weaving mills have their own spinning departments and will therefore be out of the sphere of any effect of the rise in duty on yarn but the lot of the poor handloom weaver who has to obtain his supplies from the market would be undoubtedly made worse whether he purchases imported or local mill-made yarn. In my opinion, any rise in duty beyond 10 per cent. will go to crush the handloom industry : altogether a situation which is hardly to be tolerated. The competition of the handloom industry with the mill industry even in regard to coarser cloth should not count much and on this account alone no protection should be afforded to the mill industry. Instead of hampering the handloom industry in any way it is highly desirable that every possible encouragement should be afforded to it.

Annexure B

A note on the possible effect of an export duty on cotton

It is perhaps universally admitted that export duties result in diminishing the bulk of export trade and under certain circumstances in the loss of overseas markets when any particular commodity does not enjoy the monopoly as is the case with jute. Such duties are believed to ordinarily produce an effect on the producer in discouraging him in the extent of his productions. On the other hand, such a measure is regarded as wholesome for the indigenous manufacturer in as much as he can always obtain his wants of the raw material in sufficient abundance and at comparatively low cost.

There is a general belief here that a moderate export duty on cotton may not affect the grower much but at the same time such imposition of duty should be carefully fixed as otherwise if India once loses her foreign markets for cotton it will be almost impossible for her to recapture such markets. This risk must be obviated at any cost. The levying of any heavy rate of duty will be burdensome and disastrous to the cotton grower. It will affect his income to a great extent leaving him chiefly at the mercy of the indigenous consumer to determine rates. The grower will have naturally no incentive left to him to extend the cultivation of cotton as it is then not likely to be remunerative to the extent as it is when there is no such export duty. The formula for levying export duties should be based on these considerations. The price of cotton in India will obviously fall to the extent to be determined by the factors of production and demand. Any heavy export duty on cotton is invariably expected to raise the price of Indian cotton in the overseas markets, to the disadvantage of the cotton grower as the foreign consumer will naturally be inclined to replace the Indian cotton by American or other cotton to maintain his cost of production at a competitive level. It may further be observed that the imposition of any heavy duty on cotton is very likely to be attended with grave consequences to the prosperity of the Indian cotton.

Witness No 24

THE INDUSTRIAL SURVEYOR, DELHI

Oral Evidence of Mr. Mehtab Singh, Industrial Surveyor, Delhi, recorded at Delhi on the 8th October 1926

President.—How long have you been Industrial Surveyor, Mr. Mehtab Singh ?
A. For the past four years, Sir.

Q. Does the Industrial Surveyor here answer to the Director of Industries in the larger provinces ?
A. I am under the Deputy Commissioner of Delhi. From 1st April 1925 this post was created by the Chief Commissioner for the Delhi province. Formerly I was under the Director of Industries, Punjab.

Q. Now you are directly under the Chief Commissioner ?
A. I am under the Deputy Commissioner.

Q. And are no longer connected with the Punjab ?
A. I think I am connected with the Punjab because I am in the cadre of the Punjab service, and in technical matters connected with the Factory Inspector and Director of Industries, Punjab.

Q. You have been lent to this province ?
A. Yes, I think so.

Q. Have you any special connection with the textile industry ?
A. It is a part of my functions to know the industrial subjects in the province.

Q. Are you in the Punjab Civil Service ?
A. No, I am in the Industries department.

Q. What was your industrial experience ?
A. For the past three years I have been in the Delhi province, as Industrial Surveyor and Additional Inspector of Factories, and before that for one year in the Multan Circle. I am also Additional Inspector of Factories for Ajmer-Merwara.

Q. What was your training before ?
A. I am an M.Sc. in Chemistry and I was doing business at Rawalpindi. I was the lessee of a forest and I had been collecting indigenous medicines and exporting them to foreign countries. I was also connected with some speculative business which failed. So after that I took up this service.

Q. You have no special connection with the textile industry ?
A. No, except in my official capacity.

Q. I take it that your evidence is mainly based on information you gathered from the gentlemen who appeared just now before us ?
A. Yes, information gathered from manufacturers here as well as Ajmer-Merwara.

Q. And that is the reason why your views are practically the same as theirs ?
A. Because I have gathered information from these people. There are four cotton mills here and four in Ajmer-Merwara. I am in touch with them and my opinion is based on information gathered from them.

Q. I see you mention that one of the mills, the Khalsa Spinning and Weaving mills was burned down. When was that ?
A. Some time in 1916.

Q. That is one of the reasons why it is not prosperous now ?
A. No, Sir.

Q. Have you had a good monsoon here ?
A. Yes, of course.

Q. Are there any signs of a revival of demand ?
A. At present there seems to be none.

Q. To what do you attribute that ?
A. The purchasing power of the ryot has decreased in reality.

Q. He had a succession of good monsoons, a longer succession of good monsoons than we have known for many years. If that is so why has the purchasing power decreased ?

A. He has no money.

Q. The exports from India have not decreased either in quantity or in value. Therefore why has he no money ?

A. The prices of foodstuffs also have gone very high.

Q. Only 30 per cent. more than they were in pre-war times. Have you considered the question at all whether the decrease in the demand for cloth is not due to the fact that owing to the high prices the ryot has learnt to do without cloth to a large extent ? His purchases are on a smaller scale ?

A. I do not think to any very large extent.

Q. You say that the purchasing power of the ryot has decreased but you have not brought any evidence forward in support of that statement.

A. He has got no money and hence his purchasing power had decreased.

Q. Why have they got no money when they have had a succession of good years ? The exports from India have not decreased ?

A. After the war these people mostly invested their money in property.

Q. Those who did that were not the sort of men who buy dhooties from the Indian mills ?

A. Those people who returned from the war invested all their money in property and after that they are left without any money.

Raja Hari Kishan Kaul.—What kind of property ?

A. Land and house property.

Q. The land is yielding money ?

A. It requires some time to develop the land. They have to develop that land for cultivation purposes.

Q. They have not purchased cultivated land ?

A. Mostly the lands in this province that were not under cultivation.

Q. They purchased such lands, and now ?

A. Most of those lands in this province were not under cultivation. They were purchased by people who returned from the war and now they are developing that land for cultivation purposes.

Q. They are still developing it ?

A. Yes. It requires some time to get some return from that land.

Q. Only the people who served in the war, or are there other people who depend on the price of the crops ?

A. Here we have not got so much area under cultivation, in this province. A very small area we have got here under cultivation. For example, efforts are being made to have the cultivation of the long staple cotton introduced in this province but the area is very small.

President.—What is the size of this province ?

A. It is only the size of a big Tahsil in other provinces.

Q. How many square miles ?

A. I cannot say exactly at present. There is Delhi and there is Shahdara on the one side and Narela and Mahrauli on the other side.

Raja Hari Kishan Kaul.—Isn't the cultivated area increasing ?

A. It is being developed of course.

Q. It is more than it was ?

A. I cannot say just now. When I came I used to go to the villages, specially in connection with the long staple cotton cultivation and the chillies cultivation. I find that the area has been increasing but not to the extent to which it ought to have increased.

Q. You cannot give any figures ?

A. No, not just now.

Q. There are these Delhi works—the Raisina works. They provide occupation for a number of people ?

A. Yes, for the labour classes. But they are imported labour.

Q. That forms the bulk of the population of the province ?

A. Yes, but that is imported labour.

Q. But it remains here all the year round?
A. They are migratory of course.

Q. Some go out and some come in, but so far as the whole province is concerned they are earning well. Are they not?
A. The labour classes are getting wages.

Q. Good wages. And then there is the artisan class?
A. There has been reduction in wages too. There has been reduction in the Birla mills for instance.

Q. It is a very small proportion. I am talking of labourers. They are getting good wages and agriculturists are getting good harvests. So you have no reason to say that in this province there is any decrease in the purchasing power of the population?
A. I cannot deny that there has been a decrease. That is quite obvious.

President.—In answer to Question 24 you say 'Owing to the poverty of the people, the average Indian consumer looks more to the cheapness of an article and for this reason the Japanese piecegoods being compratively cheap readily find a market in this country.' The Japanese piecegoods are not cheaper than Indian piecegoods?
A. Some are cheaper of course.

Q. Which ones?
A. Striped cloth for instance. I purchased from the local market a piece of Japanese striped shirting at the rate of 4½ annas a yard and this cloth which I purchased here is 6 annas a yard. This is made in the Goenka cotton mills.

Q. You will be able to show us some samples this afternoon.
A. Yes, Sir.

Q. You are looking at it purely from your own point of view. You found that your particular line was possibly cheaper. Japanese piecegoods are possibly cheaper than Indian in similar qualities, but you are not an average Indian consumer?
A. I think I am an average Indian consumer. A small consumer I mean.

Q. The average Indian consumer has an income of Rs. 60 a year at the outside. Your income is more than that?
A. When I purchased this cloth there were some clerks of the local offices too there. We purchased this in piece and we distributed it among ourselves. We were about 12 people. They are of course average consumers.

Q. You cannot be described as an average consumer. The point I really want to get at is whether the competition is not rather between Japanese piecegoods and piecegoods from the United Kingdom than between Japanese piecegoods and Indian piecegoods.
A. You mean that there is no competition?

Q. I do not mean that there is no competition, but I mean that Japanese piecegoods have replaced British piecegoods rather than Indian piecegoods?
A Yes, Japanese piecegoods have also replaced British piecegoods. There is no doubt about that.

Q. To a greater extent than they have Indian piecegoods?
A. They have replaced Indian piecegoods, and they have replaced British piecegoods also.

Q. Which are they hitting most?
A. To my mind they are hitting most the British piecegoods in finer qualities, and Indian piece-goods in coarser qualities.

Q. You say 'So long as the depreciated exchanges of foreign countries are allowed to continue as they are at present in most of the cases, the competition from those countries is likely to increase'. What do you mean?
A. I mean to say that they have got certain advantages on account of exchange. For example, Japan.

Q. What advantages has Japan got?
A. Japan had an advantage on account of depreciated exchange.

Q. Has it still got that advantage?
A. It enjoyed an advantage of course. I cannot say at present whether it has it now or not.

Q. Would you say that Japan has a greater advantage in regard to exchange than other countries such as the United Kingdom?
A. I say that these countries have got an advantage on account of their having depreciated exchanges.

Q. Which countries are they ?
A. I meant Japan in reality.

Q. What advantage has Japan got now which the United Kingdom has not got ?
A. I cannot say just now.

Q. Have you studied the question of exchange at all ?
A. Yes, I have studied the question of exchange, to a certain extent.

Q. If you have studied the question do you know what the Japanese exchange is at the moment ?
A. I do not know, at the moment.

Q. I want to know why you consider Japanese exchange specially depreciated ?
A. I mean to say that we are having more competition from Japanese piecegoods.

Q. That may not be entirely due to depreciated exchange ?
(There was no answer.)

Q. You think Indian labour is getting more efficient ?
A. Yes, more than it was ten years before.

Q. What grounds have you got for thinking so ?
A. When I came here first I enquired from the Birla mills of their production. It was not so much as their present production, and the same number of hands are being employed now as then. Production has increased.

Q. They are looking after more spindles or more looms ?
A. They are looking after a larger number of spindles now.

Q. How many more ?
A. I think formerly one man was looking after 130 spindles (mules). Now each man looks after 180 spindles (Ring frame). About 40 per cent. more.

Q. How many spindles is he looking after ?
A. Twenty men on 1,000 spindles, in the spinning processes including preparatory ones.

Q. In answer to Question 67 in the evidence of the Delhi Cloth and General Mills Co., Ltd., they say that a competent spinner can mind about 200 spindles.
(There was no answer).

Q. Don't you consider that Delhi mills have any advantage owing to their proximity to upcountry markets ? Delhi is an important distributing centre ?
A. They export their goods to Calcutta and other stations and the railway freights are very high.

Q. Don't the Delhi mills sell their goods locally ? Most of them ?
A. Yes. But they export to Amritsar, Multan, Rawalpindi and recently they began to export to Kashmir also.

Q. They are much nearer to those centres than Bombay and Calcutta mills ?
A. Dhooties and shirtings of the Goenka mills are almost all exported to Calcutta.

Q. Why don't they manufacture something to sell locally ?
A. I think they should. The thing is they are using imported yarn. They have got no spinning department.

Q. That particular mill. But what about the bigger mills ? Are the bigger mills manufacturing for the local market ?
A. They are manufacturing. They should of course.

Q. They do not do it sufficiently ? They are not studying the local market sufficiently ?
A. They are studying, I think, but here in Delhi the consumption is not so great. So they have also to export their goods.

Q. Delhi has got a quarter of a million people, and the whole of the Punjab behind it, and the question I am asking is whether it would not pay these people to pay special attention to this market ?
A. They have got internal competition. If one mill takes to one thing the other also takes to it.

Q. You say commission on production in this province is not known ?
A. Yes, not known, as far as I am informed.

Q. We had it this morning from Mr. Sitaram Khemka of the Birla mills that their commission was 2 per cent. on sales. That is the same as commission on production. Isn't it ?
A. I enquired and was told that on profits only they are charging commission.

Q. Did you ask the Birla mills ?
A. They also told me that they are charging on profits. The Goenka mills also.

Q. Your suggestion in regard to the import duty is based on the opinion of the local mills. Isn't it ? You have accepted the opinion of the local mills in that respect ?
A. Yes, I think I have studied their opinion.

Q. Have you studied the imports of yarn below 30s ?
A. I do not know the exact figures.

Q. Then, if you have not studied the import figures below 30s why do you suggest a duty on yarn below 30s ?
A. Because here, the Goenka mills were using yarn above 30s and they are at present paying 5 per cent. duty. If it is enhanced they will be at a disadvantage. Likewise the handloom industry will also suffer.

Q. Quite so. But my point is, you suggest a duty on yarn below 30s. The imports of yarn below 30s are not very great. Is it worth while imposing the duty when it is not going to have any great effect ?
A. I wanted to save the handloom industry from the effects of this import duty.

Q. If you impose a duty on yarn below 30s would not that also have an effect on the handloom industry ? The handloom industry uses a good deal of yarn below 30s ?
A. I think they generally use above 30s.

Q. Is there not a certain amount of coarse weaving ?
A. Very small in Delhi.

Q. In other parts of the country that is not the case. We have been told that in other parts of the country there is a considerable amount of weaving of coarse cloth.

Raja Hari Kishan Kaul.—We have been told that there is a considerable amount of weaving below 20s.
A. I have not seen it in Delhi. I am in touch with the handloom weaver here.

Q. You say that the handloom weaver's condition would be made worse were he to purchase local mill made yarn and you say " In my opinion any rise in duty beyond 10 per cent. will go to crush the handloom industry ". Is that with reference to yarn above 30s ?
A. The yarn used by the handloom industry.

Q. You are referring to yarn above 30s ?
A. Yes. If you place an import duty on yarn and if you simultaneously increase the proportionate duty on cloth, then this must not be a setback to the handloom industry.

Q. If yarn above 30s is assessed to an additional duty and also cloth above 30s is subjected to a proportionate duty then you think there will be no harm done ?
A. Yes, if a proportionate duty is placed on cloth also then I do not think it will affect it.

Q. You think it ought to be done ?
A. I want to give as much protection to the handloom industry as possible.

Q. Is that your opinion taking everything into consideration ?
A. The handloom industry should be given protection ?

Q. No, that yarn above 30s should be assessed to an additional duty and also cloth ?
A. If you want to place an import duty on yarn then simultaneously a proportionate duty should be placed on cloth also.

Q. Do I understand that yarn below 30s should be assessed to an additional duty ?
A. But further on I say that I am of opinion ' that if without disturbing the Japanese Convention any heavy duties can be levied on the Japanese piecegoods it should be done forthwith. No additional imposition of custom duties on the British piecegoods will then be necessary for the reason that when there was no Japanese competition the Indian mills thrived well inspite of competition from Lancashire. '

Q. Are you proposing an additional duty on yarn up to 30s or not ?

President.—You mean ' above ' ?
A. Yes.

Raja Hari Kishan Kaul.—What are you proposing ? A duty on yarn up to 30s, or above 30s ? You say if an import duty is levied on cloth up to 30s counts then there will be no handicap to the handloom industry at all.
A. I think so. There will be no handicap to the handloom industry in that case.

Q. Then you tell us that the local production is being exported to the Punjab and other places. We have been told this morning that most of the local production is being purchased here at Delhi. Is that correct ?

A. They do purchase here also, because they have got their shops set up here and from those shops also their goods are sold.

Q. I want to know whether a greater part is sold here.

A. I do not know that exactly. But I find they are selling their cloth here as well as exporting.

Q. That makes a great deal of difference. If most of their cloth is sold here, they are at a great advantage over Bombay.

A. I do not know the exact figures, at present.

Mr. Majmudar.—In reply to Question 13 you refer to scarcity of freight. To which country is there scarcity of freight ?

A. China.

Q. Any other ?

A. I know only about China.

Q. Since when is that ?

A. I cannot say the exact number of years.

Q. Is it so at present ?

A. I cannot say at present. I think for the past two or three years it was so.

Q. In reply to Question 44 you say 'I am informed though I am not quite sure that some of the managing agents are interested in the purchase and sales of cotton and mill-products on their own account.' Which mills are you referring to ?

A. I am afraid I cannot give you the names. I was informed about them ; but I am not quite sure about it. It is a very big concern in Delhi.

Witness No. 25

THE DIRECTOR OF INDUSTRIES, PUNJAB

Written Statement dated the 4th October 1926

The hand-loom industry in the Punjab has passed through various stages of transition during the course of the last decade. The impetus imparted to it during the great war ended in 1919, but soon after the Khaddar movement gave this industry an additional support. The emotional wave created by the Khaddar movement did not last long and the hand-loom industry once again found itself in a shaky condition. The last five years have seen a gradual change in the nature of products manufactured on the hand-looms. The manufacturers discovered that it was to their advantage to shift from cotton to natural silk and artificial silk, with the result that at present the majority of looms in the Punjab produce fabrics from these two fibres.

It is not possible to give a quantitative analysis of the industry in the Punjab as figures relating to the number of looms employed and the number of workers engaged in the hand-loom industry are not reliable. A preliminary census of the hand-loom weaving industry in the Punjab is being conducted by this department and it appears from the figures already compiled that there are at present 100,000 workers engaged in this industry. The number of looms is estimated at between 15 and 20 thousand. The majority of the looms are of the old pit type; during recent years attempts have been made by this department to introduce fly shuttle type and it is expected that during the course of the next ten years the village weaver will adapt himself to the new type of looms. It is obvious, therefore, that efficiency is a good deal below par, and the production per day per loom is necessarily lower than what it ought to be. Inspite of this handicap the hand-loom industry has managed to maintain its existence in this province.

A brief survey of the industry indicates that there is very little direct competition with the mill industry of Bombay, Ahmedabad and other centres. The products of the mill industry are marketed in the Punjab under conditions of mass production. There is always a wholesale demand for such goods as plain long cloth (grey and bleached), dhoties, susi, plain checks, plain shirtings and certain classes of fancy cloth. The products of the hand-loom industry cannot and do not compete in these goods as the principles of production in each case are materially different. It will not be an idle extravagance to say that, in relation to the products of the mill industry the hand-loom industry possesses an independent existence of its own, and for this reason there is no direct competition between the products of the former and the latter, except in certain classes of goods.

The products and the markets of the hand-loom industry may be divided into two distinct categories. Under the first category we may note the production of such goods as khaddar, lungies, khes, etc. The manufacture of these articles is at present confined to Pak Pattan, Kamalia, Jhang, Leiah (Muzaffargarh District) and Bhera. The products of the hand-looms working in these centres are generally marketed through local agencies. The weavers are, as a rule, so poor that they cannot afford to finance the industry. The local agents who book orders from outside give them advances and pay them according to the quality of the work produced. There is no external demand whatever for these goods. The yarn used is generally mill-made and varies from 10s to 12s counts. A small quantity of hand spun yarn is also consumed by this branch of the hand-loom industry.

Under the second category we may note the production of such goods as shirtings, coatings, checks (Jacquard designs), towels and certain classes of narrow-width goods. This branch of the hand-loom industry consumes fairly large quantities of imported yarn. In recent years the local manufacturers have shifted their centre of gravity from cotton to spun silk and artificial silk. There is, however, a regular demand for cotton goods as well. The industry is now concentrated in Ludhiana, Jullundar, Amritsar, Hoshiarpur and Gujarat. The products of this industry come in direct competition with the products of the mill industry, but as the designs produced are more complex and possess greater variety the industry continues to maintain its existence. From enquiries made in these districts it appears that the products of this industry are, to a large extent, exported to Malabar, Ceylon, Burma and other parts of India. The Punjab manufacturer has adapted himself to the requirements of distant parts of India and has managed to find ready markets for his goods. The counts of yarn used in this industry vary from 20s to 60s. There is a large consumption of 22s, 30s, 2/30s, 40s, 50s, and 60s. A good deal of mercerized yarn is also being used at present. The major portion of the yarn consumed is purchased through Japanese houses. There is, however, a good demand for

Lancashire yarns as well. In recent years the local manufacturers have taken up the manufacture of "mixed" goods, *i.e.*, goods wherein cotton and spun silk or artificial silk yarns are used in warp and weft respectively. These mixed goods are supposed to leave a greater margin of profit to the manufacturer and find a ready sale in Southern India. Another factor which played an important part in the adoption of this policy by the manufacturer was the increased competition of the mill-made goods. This tendency is at present acquiring a definite shape and it is likely that the hand-loom manufacturer will in the course of time take up the manufacture of goods requiring spun silk and artificial silk as warp and weft. In Amritsar and Ludhiana particularly the looms are now placed on mixed goods, and it is perhaps the adoption of this policy that is saving the industry in these two districts from extinction.

The next important point is the determination of the incidence of the increase in the duty on imported yarn from 5 to 18 per cent. The hand-loom industry is not so well organised as the mill industry, and it is, therefore, difficult to present a clear statement showing the various items entering into the cost of production of goods. The system adopted in the Punjab varies from town to town, and as a matter of fact in some cases the local weavers themselves do not know the exact cost of production of the goods they produce. The village weaver is a part time worker and as such he is concerned only with his earnings during the period when he is free from harvesting activities. The only other method is to examine the data ordinarily kept by a small manufacturing establishment in a town like Ludhiana. Taking into consideration the fact that the owner of a small manufacturing establishment purchases his yarn from a whole sale market it may be assumed that out of a total cost of production amounting to say 100, about 60 is represented by the cost of yarn; the balance includes the working charges, selling commission, etc. This means that an increase in the duty on imported yarn to the extent of 13 per cent. falls in the first place on the price of yarn itself, or in other words the manufacturer bears an additional charge of about 8 per cent. This additional charge may be regarded as a tax on the production of goods described in the second category. As the yarn produced in Indian mills is generally consumed in the weaving section of these mills it is perfectly obvious that the hand-loom manufacturer must use imported yarn. An increase in the import duty on yarn is, therefore, to the detriment of the hand-loom weaver. In so far as the exact incidence of this tax is concerned we cannot help maintaining that the burden of the additional duty falls firstly on the production of goods manufactured by the hand-loom weaver, and secondly on the consumer who purchases these goods in preference to mill-made goods. The general concensus of opinion in this province is that under the present conditions of production an increase in the duty on imported yarn is likely to affect adversely the prosperity of the hand-loom industry.

Witness No. 25

THE DIRECTOR OF INDUSTRIES, PUNJAB

Oral Evidence of Dr. R. C. Rawlley, recorded at Lahore on the 14th October 1926

President.—How long have you been Director of Industries in the Punjab ?
A. Just one year.

Q. I think you had a rather close connection with the cotton industry in the past ?
A. Yes, I was in charge of the Sholapur Mills.

Q. How long ?
A. For three years and six months in all.

Q. In what capacity ?
A. I was the Secretary and General Manager of the Company, and held a Power-of-Attorney on behalf of the Agents.

Q. Have you had any actual technical training in textile work ?
A. No direct technical training, but I have had a good deal of management experience. I was in complete charge of the concern.

Q. And after that ?
A. After that I was associated with Lady Chinubhai's mills in Ahmedabad.

Q. Which one ?
A. The Ahmedabad Ginning and Manufacturing Co., Ltd.

Q. And then you came into Government service ?
A. Yes.

Q. That is an unusual order. It is not very usual to take up Government service after being in commerce.
A. Yes, that is true.

Q. Have you any Textile Institute in the Punjab as they have in some other provinces ?
A. We have one small technical institute known as the Central Weaving Institute.

Q. Is that purely a handloom institution ?
A. Purely handloom.

Q. You have a dyeing and printing works here ?
A. We have got a dyeing and bleaching factory at Shahdara.

Q. Is that intended for the handloom industry ?
A. It was originally a small class attached to the Forman Christian College in Lahore. It was then taken over by Government and converted into a big institute—what we now call the Institute of Dyeing and Calico Printing.

Q. How many students have you got in your Technical Institute in Amritsar ?
A. Nearly 100 students.

Q. How long does the course last ?
A. For two years.

Q. What sort of training do you give them in weaving, grey cloths or fancy goods ?
A. Grey and fancy—both. We have got Jacquard looms there.

Q. For fancy goods ?
A. Yes.

Q. And do you do much teaching of artificial silk weaving ?
A. No, not much of that.

Q. Although according to your evidence the tendency is to change from cotton goods to silk goods ?
A. Yes, that is the tendency.

Q. Are you doing anything to meet that tendency by special training ?
A. We are considering that at present.

Q. And how many students have you got in your institute here ?
A. About 60 here in Lahore.

Q. Do they come to you from the Amritsar Institute or is it an entirely separate course ?
A. These people come from all over the province. Some of them stay for a fortnight or a month.

Q. Are they handloom weavers ?
A. I should suggest about 20 per cent. of them are handloom weavers.

Q. Who are the others ?
A. The others come from the various firms of dyers, who run factories of their own in Multan, Ludhiana, etc.

Q. What sort of factories ?
A. Handloom factories. They come along themselves or send their representatives to get training in this institute in Lahore.

Q. Is your handloom weaving done mainly in factories ?
A. In certain districts in small factories and in others it is a domestic industry.

Q. What are the proportions ?
A. Sixty per cent. domestic and 40 per cent. factory.

Q. How big are the factories ?
A. Fifty looms per factory.

Q. In your opinion, the character of the handloom industry in the Punjab has changed considerably in the last few years ?
A. Yes.

Q. Your estimate of the number of looms in the Province is between 15 and 20 thousand ?
A. That is just the preliminary estimate issued. We are conducting a regular census now. This figure represents the number of looms actually working.

Q. I do not quite follow your figures. If the number of looms is between 15 and 20 thousand it is a little difficult to see how you have 100,000 workers engaged in the industry ?
A. Because the hundred thousand represents the members of the family also. One weaver's family consists of about four or five people, all working.

Q. They would all give some sort of help, you think ?
A. Yes.

Raja Hari Kishan Kaul.—Dependants ?
A. Yes, you can call them so.

President.— If there are between 15 and 20 thousand looms, that means that there are about 7 to 10 thousand working on cotton goods now ?
A. Yes.

Q. As far as cotton goods are concerned, if the total number of looms working on cotton goods is now only 7 to 10 thousand, it can hardly be regarded as an important industry from the cotton textile point of view ?
A. I mean from the economic point of view it is, because it supports a large number of people.

Q. Fifty thousand ?
A. Yes.

Q. It is not a very large proportion.
A. I should say it is a large proportion. When there are about ten thousand people working in a mill you regard it as a very big textile corporation.

Q. No, not for a whole province.
A. Of course we have not got any textile industry of any great magnitude.

Q. It is a little difficult to understand exactly what the extent of the competition with the mill industry is ? You say there is very little direct competition, but you go on to say that the branch of the handloom industry making goods such as shirtings, coatings, checks, towels and certain other classes of goods consumes fairly large quantities of imported yarn. If that is so, all those classes of goods compete with the mill industry ?
A. I have divided the production into two categories. No. 1 is the manufacture of khaddar, lungies and things like that which are manufactured in distant villages. There of course there is absolutely no competition with the mill industry.

Q. Why is that ?
A. Because the mills are not turning out those goods. Moreover it is a question of local demand. In Leiah in Muzaffargarh district they specialise in the manufacture of *khes*.

Q. What are *khes* ?
A. They are a sort of bed cover.
Q. Could not the mills turn them out ?
A. I cannot say that.

Q. What is it which renders them specially suitable for handloom weaving? In Madras, for example, we were told that certain types of Madras handkerchiefs were specially suitable for handloom weaving because the handloom process gave them a much better colour.

A. So far as *khes* are concerned it is the peculiar weave, which the ordinary power looms could not do, and there is double surface. On the one side you have one design and on the other there is another.

Q. They are specially adapted for handloom weaving?

A. Yes.

Q. Therefore there could be no competition between them and the power looms?

A. No.

Q. Then, the second class of goods which you mentioned—there is nothing there to prevent these being turned out by the mills except that they go in more for individual designs?

A. Quite. Some special lungies are manufactured in Ludhiana out of artificial silk and cotton. I do not think any mill has turned them out so far. These go to the Burma market mainly.

Q. You are opposed to any increase in the duty on imported yarn?

A. Yes.

Q. I do not quite follow your argument when you say that 'as the yarn produced in Indian mills is generally consumed in the weaving section of these mills it is perfectly obvious that the handloom manufacturer must use imported yarn.' But if you look at the statistics of the mill industry you will find that there are still a large number of mills which have no weaving departments and a still larger number which have more spindles than the looms can consume the yarn from. Taking the industry as a whole at the present time the spinning mills are much worse off than the weaving mills.....

A. My own expérience was that only yarn of low counts such as 8s, 10s and 12s was sold by the mills, but yarn over 14s, especially over 20s, was manufactured and consumed by the mills having their own weaving sheds and very little yarn as far as I understood was for sale in the market.

Q. The point on which you could throw light is what counts your weavers mainly use?

A. For the second category they use yarns over 20s.

Q. 2·s what?

A. Warp.

Q. Indian mills can give them 20s warp.

A. In those days when I was in direct touch with the industry, mills did not sell much of their yarn of counts over 20s.

Q. It is certainly not the case now. They can to-day give anything up to 30s and some of them much higher. It is in 20s that they say they find keen competition from Japan. So I do not quite see that the handloom manufacturer need use imported yarn.

A. I based my statement on my own understanding. The majority of the mills in India having sheds could not sell yarn in the market because they consumed their entire production on the spot. Is the number of spindles now existing much more in proportion to the number of looms?

Q. I do not think it is as a matter of fact. I think the proportion of looms to spindles has considerably increased owing to this very difficulty of selling yarn. Having lost the Chinese market for yarn the mills are putting in more looms.

A. That was not my experience.

Q. One of the reasons they cannot pay is that they cannot sell the yarn at the moment. The question really is what proportion of the yarn which is used by your handloom industry is of counts over 30s and of counts over 40s? Do they use much over 40s?

A. It is very difficult to give you exact figures.

Q. We know your difficulties in regard to any figures in connection with the handloom industry. It is far more difficult to get them than for the power industry.

A. In all the various centres I have visited, I know from personal experience that a good deal of yarn used is over 30s. A very large quantityof mercerized yarn is being bought.

Q. What sort of counts will the mercerized yarn be?

A. Probably over 40s.

Q. A considerable amount of yarn used by handloom weavers is over 43s?

A. Yes.

Q. What do they use it for ?
A. For shirtings and finer cloth.

Q. They do not do much in the way of dhooties and sarees ?
A. They do it in Ludhiana. They do finer qualities of sarees and checks.

Q. The point I am really trying to get at is, when you say this branch of the handloom industry, *i.e.*, the branch which competes with the mill industry, consumes a fairly large quantity of imported yarn, whether you consider this large quantity of imported yarn is used because the Indian mills are using all their yarn in their weaving sheds or because they cannot get the yarn of the necessary fineness of count from the Indian mills ? Which of these causes is it that brings about this use of imported yarn ?
A. To a certain extent the first is true—that they cannot get the Indian yarn, and secondly, the quality of the Indian yarn in the finer counts is probably not as good as that of imported yarn.

Q. Do you consider that they use imported yarn in preference to Indian yarn because they are more satisfied in regard to the quality of the imported yarn ? In some other places to which we have been, we received complaints of quality, of the uniformity, the regularity of Indian yarn, and that what is sold as 20s yarn is really 18s. We have had many complaints of that kind.
A. I think that is almost a daily occurrence.

Q. With reference to yarn, from what parts of India ? Where does your handloom industry get its yarn from ?
A. Mostly from Bombay. Of course it may be Ahmedabad yarn too which after going to Bombay comes to the Punjab.

Q. Ahmedabad yarn will hardly come up here except from Ahmedabad ?
A. The Punjab merchants go to Bombay and buy yarn there. We get our imported yarn through Karachi.

Q. You cannot throw any light on how Bombay and Ahmedabad yarn compare with each other ?
A. I cannot tell you from my own experience in the Punjab, but I can tell you from my own experience of Bombay. The Ahmedabad yarn lacks uniformity in count and does not give you constant test. It is much lower than the count specified. That is my opinion of Ahmedabad yarn from what I knew of it.

Q. We have been told by some other Directors of Industries that an increased import duty on yarn would not make very much difference to the handloom weaver because he would be able to pass the duty in the shape of increased prices to the consumer and that the consumer of the class of goods that he turns out would not worry very much if he paid another eight annas for a pair of dhooties or suit length.
A. Well, that may be their opinion, but my opinion is that it would. The consumer would object, because our market is not a local market even for these higher classes of goods. Our goods go to the coast side, Colombo, Burma, etc. That was the impression I gathered from these various manufacturers, local manufacturers.

Q. You have got quite a considerable export trade ?
A. Yes, we have got a good deal of export trade.

Q. That is not shown separately in the statistics, I think. I do not know whether you have studied the statistics of trade. I do not think there is any distinction there between handloom products.
A. No.

Raja Hari Kishan Kaul.—You say here ' The emotional wave created by the khaddar movement did not last long and the handloom industry once again found itself in a shaky condition.' You think the outturn of the handlooms has decreased on the whole ?
A. The outturn has decreased as compared with the period when the movement known as the Gandhi movement was going on.

Q. Not when compared with the conditions before that movement ?
A. I have not compared the pre-war period.

Q. Taking that as a temporary phase, I thought you might be able to tell us how matters stood.
A. What I meant to say was that during that time there was a large number of handlooms started in places like Montgomery where there was no weaving done before. All these have stopped now. In Ludhiana and Hoshiarpur, those factories that were started during that time have stopped now.

Q. You have no idea as to whether the output has decreased or increased compared with the time before this movement ?
A. No, I am afraid not. I have not got the figures of output.

Q. You export a good deal of handloom cloth to the North-West Frontier Province ?
A. Yes.

Q. That consists mostly of hand woven khaddar ?
A. Partly of khaddar and partly other kinds.

Q. They are largely khaddar and susi, coloured cloth and so on ?
A. Susi and mixed cloth.

Q. These are manufactured at Kalabag ?
A. I think the trade is now flourishing in Multan much more than in Kalabag.

Q. There used to be a large number of looms in Kalabag. Have they disappared ?
A. Not altogether.

Q. I wonder whether they have the same system elsewhere. There used to be a trader paying out so much money to the weavers and dealing out yarn and getting the woven cloth.

A. That is stopped now. The co-operative societies are advancing money to the weavers' societies. All the money which was formerly advanced by the Banias is now being advanced by these banks.

Q. And the weaver, he stands to lose or gain ?
A. He stands to gain.

Q. It is entirely his own capital and the labour forms part of his gain ?
A. Yes.

Q. Have you any idea of how much hand-spun yarn is used on these handlooms.
A. I am afraid, no.

Q. Is it negligible ?
A. Yes, very small quantity.

Q. You would not consider it noticeable—a quantity so small ?
A. Yes, as compared with the actual consumption of yarn in the Punjab the quantity is very small.

Q. You say that the major portion of the yarn consumed is purchased from Japanese houses. There is not very much yarn below 30s coming from Japan and very little above 40s. It is mostly 30s to 40s ?
A. Yes, from 20s onwards, 20s 30s and 40.

Q. Perhaps 16s to 20s ?
A. In 20s I think there is a good deal of import.

Q. And 30s to 40s ?
A. Yes.

Q. All the higher counts are imported mostly from the United Kingdom ?
A. Yes.

Q. You speak here of the increased competition of the mill-made goods. Can you tell us in what particular lines there is this increased competition ?
A. Mainly in these shirtings—plain shirtings and striped shirtings.

Q. Is the competition not by the handlooms against the mill cloth ?
A. Yes, it is.

Q. Probably you would put it the other way—the handlooms try to catch that trade and they find keen competition ?
A. Quite.

Q. You mention two classes of cloth woven on the handlooms. Can you give us any idea of what proportion No. 1 is to No. 2 ?
A. I am afraid I cannot commit myself to figures.

Q. Roughly ?
A. The first category is much less than the second. The actual money value of the output of the first category would not exceed about 30 per cent. of the whole.

Q. And the quantity ?
A. Of course the first being an inferior class of goods, the second will be lower naturally.

Q. Probably about half and half ?
A. Possibly.

Mr. Subba Rao.—With regard to what you said about the use by handlooms of Indian mill-made yarn I do not know what your views are. Did you say the mills are not making the kind of yarn the handloom industry is using, or not making as much of it as they wanted ?

A. My impression was that mills which were already equipped with weaving sheds could not spare yarn for the market but consumed all their own production and therefore

a large quantity could not go to the market at all; and secondly, the yarn produced by the majority of Indian mills of counts above 30s is not of the same quality as the imported yarn. And from the point of view of the handloom industry they want better yarn than the Indian mills can produce in the finer counts.

Q. So that at any rate in regard to finer counts the handlooms ar using imported yarn, and as regards the lower counts they depend in the main on Indian mills ?

A. For instance the durrie industry of Ambala uses 4s, 6s and 8s. That is all Indian yarn.

Q. You speak of 10s and 12s also. That also must be Indian ?

A. Yes.

Q. So far as that is the case the handlooms depend on Indian yarn; only in regard to finer counts they depend on imported yarn. Is it not so ?

A. Yes, that is true.

Q. About the marketing organisation of the cottage industry in the Punjab, can you throw any light on that ? How do they deal with the other parts of India ?

A. In so far as the domestic industry is concerned the demand is purely local and in so far as the factories are concerned, of looms say up to 50 and more, they have their own selling agents and shops. One small factory has its own shop and they get into touch with the outside markets so that there is direct dealing between the manufacturer and the merchant on the other side.

Q. In that way the industry here has established connection with a number of parts in India ?

A. Yes.

Q. When you speak of factories of 50 looms and more are you thinking of power driven looms ?

A. Of handlooms.

President.—They do not come under the Factory Act ?

A. Some of them do—some of them doing their own sizing. One or two are using mechanical power.

Q. They use mechanical power for sizing ?

A. Yes.

Mr. Subba Rao.—You are an authority on silk. Are you not ?

A. I am supposed to be.

Q. Are you keeping in touch with the subject ?

A. Yes.

Q. I want to ask you about artificial silk. We want to know whether the use of artificial silk is affecting now or is likely to affect the use of cotton cloth or the use of silk cloth. What is the result of your own observation ?

A. My own observation is that some of the manufacturers have developed the quality of the fibre to such an extent in so far as the absorption of moisture and other factors are concerned that it is quite possible that one day it might come largely into use. But the cost of production of artificial silk is necessarily higher than cotton and therefore it cannot come in direct competition with cotton; but in so far as natural silk is concerned there will be competition. And it is also certain that it is coming into direct competition with mercerized cotton.

Q. Competition between mercerized cotton and artificial silk ?

A. Yes. But there is no danger so far of cotton being ousted by artificial silk.

Q. Unless by some means you make it cheap.

A. It is impossible because the basic material is very much dearer than cotton.

Q. If anything, it is likely to compete with silk and not contract the market for ordinary cotton ?

A. Yes.

President.—There is one question I want to ask you before Mr. Majmudar starts. Is there any work being done in the Shahdara mills now ?

A. No.

Q. You have got two mills in Amritsar ?

A. Yes, two and one in Bhiwani which is also not working.

Q. Nothing in Shahdara ?

A. No. The Rai Bahadur Melaram Cotton mill was closed down. There was a dispute between the lessees and lessors. The mill was leased out to a merchant and the has been a legal dispute going on for the last two years.

Mr. Majmudar.—Does Lahore import much yarn ?

A. No. Lahore is not a wholesale importing market. It is only a small distributing market.

Q. It is Amritsar that imports most ?

A. Yes.

Q. Most of the yarn that is imported into Amritsar is Delhi and Cawnpore mills' yarn. Have you any idea ?

A. Not most of it. A good deal of it is imported from Delhi. Of course Delhi again imports from Bombay.

Q. I am referring to yarn spun by the Cawnpore and Delhi mills.

A. I do not think the Delhi Cloth Manufacturing Company and the Birla Mills can supply much yarn. They have got about 800 looms now or perhaps less.

Q. Cawnpore ?

A. They may be importing from Cawnpore—I cannot say for certain about Cawnpore.

President.—There are spinning mills there.

A. I do not think they are doing much. That yarn is also consumed locally. They are producing lower counts. Very small quantities of 14s. They are producing lower than 10s.

Mr. Majmudar.—The mercerized yarn you mention in Japanese or English ?

A. Partly Japanese and partly English. I have seen both.

Q. Is that used along with artificial silk ?

A. Two-folds 80s also I think.

Q. Is it all used in mixture with artificial silk ?

A. Yes, mostly.

Q. Is there a big consumption of single 40s, 50s and 60s ?

A. Not much. The majority of the yarn used is two-fold. It is easier to work.

Q. You might have seen the samples of checks imported from Belgium and Italy which contain artificial silk designs. Are these the designs which the handloom people try to imitate ?

A. Some of the designs are indigenous and other designs have recently been copied by small firms in Ludhiana and other places. The Italian checks from what I saw of them a few years ago are all of new designs.

Q. Lancashire is not able to compete with Japan in double 80s and double 60s ?

A. Lancashire is not obviously competing. Why it is not competing I cannot say.

Q. Have you any idea about the difference in price ?

A. My own opinion is that if the Tariff Board recommended to the Government of India to send out a small party of people conversant with the cotton industry to Japan to study the question on the spot it would give us better information. People interested in it here have never been able to elicit the right type of information as to why the Japanese are in a better position. I think it would probably be to the advantage of Lancashire also to know much more about the Japanese industry than is known at present.

Q. You have no idea of the difference in price between the two ?

A. I have not got the latest information on the subject. Speaking of a couple of years ago the difference generally speaking was between 3*d* and 4*d*. per lb.

Q. Japan was cheaper ?

A. Yes.

Q. That was why it was being sold to a great extent ?

A. Yes.

Q. For lungies they dye the yarn themselves ?

A. Yes.

Q. Is any printing of yarn or cloth done here ?

A. Printing of cloth is done on a very large scale.

Q. Is it on a fine quality of cloth ?

A. I should call it medium.

Q. Made out of Indian mill yarn ?

A. Yes.

Witness No. 28

Mr. G. W. BURLEY, ACTING PRINCIPAL AND SECRETARY OF THE VICTORIA JUBILEE TECHNICAL INSTITUTE, BOMBAY

Oral Evidence recorded at Bombay on 8th September 1926

President.—How long have you been Principal of the Victoria Jubilee Technical Institute ?

A. I have been acting Principal for the last four months. The permanent incumbent is on leave.

Q. What were you before that ?

A. I was and still am Head of the Mechanical Engineering Department. I am now simply acting as Principal.

Q. What I would like you to give us, if you will be good enough, is a brief description, of the exact facilities afforded for technical training in connection with the cotton industry, the extent to which they are used and the extent to which they can be improved ?

A. This question was raised about 18 months ago in connection with the question of University Reform in Bombay. The Institute that I represent is, the premier institution of its kind in India. It is not purely an engineering college, but is a technical institute and it has the following departments :—Mechanical Engineering, Electrical Engineering, Sanitary Engineering, Textile Manufacture and Technology, and Applied Chemistry. The Mechanical Engineering and Textile Departments are the oldest, both being established at the foundation of the Institute in 1887. For a long time these were the only two departments in the Institute. There is only one other technical institute where power textile work is taught ; that is the R. C. Technical Institute at Ahmedabad.

Q. Yours is the only one in Bombay ?

A. Yes.

Q. With the exception of one other small institute ?

A. You mean the Parel Technical School of the Social Service League ? Yes. As a matter of fact there is some plant there, but they have not yet any means of driving it, though from the teaching point of view they are working, this being their second session. I am also, by the way, the acting Secretary of the Committee of Direction which controls technical education in the Presidency, so that I am really connected officially with all the technical schools in the Presidency. These are the only three—our own, the Parel Technical School run by the Social Service League—which is a very small one—and the Technical Institute at Ahmedabad, where textile work is dealt with at all, except from the point of view of handloom work. There are one or two small industrial schools where that is taught ; I do not know whether those come within your purview or not.

Q. Not particularly.

A. From the power side these are the only three schools in the Presidency where textile work is taught.

Q. How many students can you take in?

A. Until about three or four years ago we admitted 30 students every year to the Textile Department. But about three years ago the number was increased to 40. Owing partly to the depression in the textile industry however we have not been able to admit the maximum number of 40 this year. The majority of applicants wish to join one or other of the Engineering Departments. At the present time in the Institute we have 523 students ; about a quarter of these, 133, are textile students. But we have more in the Mechanical Engineering and Electrical Engineering Departments. It seems to me that in the future unless something of a radical nature happens in the textile industry, we are not likely to get our full quota of 40 in the Textile Department.

Q. I take it you give them a four years' course.

A. Yes.

Q. What part of that course consists of practical training ?

A. More than half of it. That is in the Institute, and then the fourth year students spend six months doing outside practice. At the end of this period they return to finish off in the Institute.

Q. Have you any difficulty in securing admission for them to the mills ?

A. You mean for the outside practice ? Generally no. We can place them all.

Q. They receive no pay from the mills ?.

A. We say definitely that the mills are not required to pay these students anything. That applies to all the employers to whom we send students. But if they wish to, they

may. So far as we are concerned, they are unpaid apprentices. If they prove of value to their employers, the employers may, if they wish, pay them some remuneration.

Q. Do you make arrangements ?

A. Largely. In special cases the students may make the initial negotiations, so to speak. But in every case the approval of the Principal has to be obtained.

Q. What sort of posts do these men go to after you have finished with them.

A. You mean immediately after ?

Q. Yes.

A. They generally go as assistants of some kind and eventually they go higher.

Mr. Subba Rao.—In what departments ?

A. In any department—spinning, carding or weaving.

Q. They are taken in all these departments ?

A. The present system is the complete course. It covers both spinning and weaving. Years ago it was not so. Then the department had two sections which were quite separate and students went for two or three years either in the spinning or weaving department. To-day they are partly in the weaving department and partly in the spinning department in the four years. There is a graduated course in each department, and the two run side by side. I have a list here of past Victoria Jubilee Technical Institute students who are actually in employment in mills in Bombay—assistant spinning and assistant weaving masters, spinning masters, sizing masters, carding masters, assistant carding masters, managers and superintendents of groups of mills, etc., etc.

President.—Do you keep a record of what happens to your students ?

A. As far as possible ; though our experience is that it is impossible to keep a complete list. Certainly on the engineering side students will not keep us posted with their movements. The Head of the Textile Department, partly because he is a Bombay man, is able to keep a little in touch with past textile students who are in Bombay. In 1924 we started some textile apprentice classes for apprentices actually in the mills.

Q. A short course ?

A. Yes. These classes we held on Saturday mornings for four hours. They comprise work in machine drawing, chemistry, and lectures on the theory of weaving and spinning. There are two sections—spinning and weaving. This is a two years course and is quite distinct from our ordinary day classes. These classes are now in their third session.

Q. How many people have you in these classes now ?

A. At the present time we have 53 apprentices in those two classes—39 in the first year class and 14 in the second.

Q. Do you find they are regular in their attendance ?

A. They have to be. Otherwise they are not allowed to continue their attendance.

Q. How many could you train in that way ? How many have you room for ?

A. I dare say we could take 40 each year.

Q. Have you any idea of how many apprentices there are in the Bombay Mills ?

A. I have no idea. The original idea in regard to these classes was to admit only apprentices in mills. But this year a number of people who are not apprentices but are connected with the mill industry have been admitted, such as, for instance, departmental clerks, who want to know something about the why and the wherefore, not that they intend, or hope, to get positions as spinning masters or weaving masters. They simply want to know something about the underlying principles of operation of textile machines. The Social Service League school is only for operatives, but they find that they cannot get operatives to come in sufficiently large numbers, and at the annual meeting of the School Committee which was held about ten days ago it was decided that others might be admitted to these classes, which are not at the present time very popular with the operatives.

Q. How long is this course ?

A. Two years for spinning and then two years for weaving. It is a Saturday morning course. It is equivalent to English evening classes. They have tried evening classes in Bombay but they have not been a success. So instead of holding them in the evenings we run them on Saturday mornings.

Q. Are apprentices paid ?

A. They are paid in the mills.

Q. Do you have to give them a certificate of attendance ?

A. Yes. So far as the apprentices sent by the mill managers are concerned we certainly have to notify the mills about the attendance of these apprentices. We also run apprentice classes for the railways—engineering classes, and we do exactly the same with them.

Q. I thought so but I wanted to make the point quite clear.

A. In these classes the fees are paid by the apprentices themselves in each case, the fees being Rs. 20 per session. I understand that these apprentices are actually paid in the mill as apprentices.

Q. You charge Rs. 20. How long does the session last ?

A. Twelve months.

Q. Your work is entirely for what might be called the superior staff. You do nothing for the operatives ?

A. That is so. The school at Ahmedabad is somewhat similar, but it is of a lower standard. They get students of inferior educational qualifications. Up to about three years ago they hardly admitted one student who could read English. But they have improved the standard during the last three years, and probably in two or three years time all the students in the school will be English-knowing students. The difficulty is that there they have some students who know Gujarati and some who do not. So it is necessary to give lectures in two languages, English and Gujarati, at the present time.

Q. You have students coming from all over India ?

A. Yes. Up to three years ago, we gave no preference to students from any particular part of India. We simply took the best who came along and we generally found that the best were from Madras. But on account of the instructions which the Government of Bombay gave in 1923 we had to alter that, and we now give preference to Bombay candidates. After their needs are satisfied we consider students from other provinces. But it looks to me as if in two or three years time we shall have practically all Bombay students in the classes and there will be very few students from outside the Presidency.

Q. Why is that ?

A. That is because of the assistance given by the Bombay Government to the Institute. We are largely supported by the Bombay Government, in fact to the extent of more than one-half of our income and, in 1924, they laid down the law in this respect, namely, that we should give preference to the sons of the tax-payers in Bombay.

Q. Does the Millowners' Association make any contribution ?

A. It amounts at the present time to Rs. 2,000 per annum. It was Rs. 2,500 per annum up to the year 1923, when the Millowners' Association reduced it by Rs. 500.

Q. On what grounds ?

A. It was due to the fact that in 1923 the Association contributed just over a lakh of rupees to the general fund of the Institute to assist it to move out to its new buildings at Matunga. In that year the Association's representation on the Board of Management was increased from one to two.

Q. Who are the representatives at present ?

A. Jehangir Bomanji Petit, Esq., J.P.; and the Honourable Mr. Munmohandas Ramji, J.P.

Raja Hari Kishan Kaul.—What is the qualification for admission to the Institute ?

A. We hold a special entrance examination. We do not recognise any Indian examination except the degree examination. We admit graduates without any question. But all others must pass our entrance examination, which includes examination in English composition, arithmetic and algebra, general knowledge and freehand drawing.

Q. What is the standard ?

A. It is about the same standard as the Matriculation or a little higher in the subjects in which we test examinees.

Q. Are any scholarships given to the students ?

A. There are several scholarships, and for these chiefly first and second year students only are eligible.

Q. Only for one year ?

A. Some for one year and some for three.

President.—Given by the Institute ?

A. These are given by the Institute though they are really endowments. In addition, the Bombay Government have scholarships for backward and intermediate Hindus and Muhammedans, but we cannot dispose of all those which are tenable at the Victoria Jubilee Technical Institute.

Q. I think I am correct in saying that a good many of those who come from other parts of India hold scholarships ?

A. This is right. The Central Provinces Government gives a scholarship to every student coming from the Central Provinces. In addition it also contributes Rs. 20

under the Priority Scheme for each student it sends. But there are certain provinces which do not. The United Provinces, the Punjab and Bengal will not assist the Institute at all. So we do not take their students.

Q. Madras ?

A. Madras does. Also the Central Provinces Government does, except for Mechanical Engineering.

Raja Hari Kishan Kaul.—What fees do you charge ?

A. To the Bombay Presidency students we charge Rs. 100 a year ; to outsiders Rs. 150. Even if a student comes from a Native State in the Presidency he has to pay Rs. 150. He is given preference with Bombay candidates in regard to admission, but he has to pay fees at the higher rate.

Q. The same rate for all the four years ?

A. Yes. And we charge the students from other Provinces who come under this Priority Scheme the same rate. The difference is met by the Province itself out of the Rs. 200 a year it pays to the funds of the Institute.

Q. Is there any possibility of training boys as spinners and weavers or as operatives ?

A. Not as things are. It is quite impossible to run any other scheme by the side of the present one, because the plant is fully occupied all the day long.

Q. It would have to be extended ?

A. We should have to have practically another department where this work could be done. But at the present time it could not possibly be done.

Mr. Subba Rao.—You said there is no other school in the Presidency which provides instruction in the textile industry ?

A. Not in higher work. There is the technical institute at Ahmedabad which has been designed generally on the lines of the Victoria Jubilee Technical Institute, but the standard of the work done is not as high as that done in the Bombay Institute.

President.—The Ahmedabad Institute is the R. C. Technical Institute ?

A. Yes. It is a Government institution. It is the only technical school in the Presidency which is run directly by the Government at the present time.

Q. R. C. stands for ?

A. Ranchodlal Chotalal. That is the name of the founder of the Institute.

Mr. Subba Rao.—There is no provision in the Presidency for the training of mill-hands ?

A. Not so far as day work is concerned. The only place where this instruction can be obtained is at the Parel School.

Q. That is in a small way.

A. Yes.

Q. People speak of the inefficiency of labour. Is it feasible, do you think, to organise some kind of instruction for them either when at work in the mill or before they go there to make them work more efficiently.

A. Personally I do not see what advantage it would be in view of the conditions under which labour is recruited in the Bombay mills at the present day. The matter is entirely in the hands of the jobber. He is a jobber because he can bring labour into the mill. And what is the labour ? It is uneducated and untrained and as far as weaving is concerned the labour recruited comes mostly from the Ratnagiri District.

Q. They have got to pick up their training in the mill itself ?

A. Yes. They bring in people who know nothing at all about textile work, and instruction appears to be largely in the hands of the jobber.

Q. That is what we have been told ?

A. Then everything depends upon the assistant weaving master or the weaving master himself, and he has to see that things are put right if anything goes wrong.

Q. You mean there is no demand now for the training of these people ?

A. We have never been asked by the people really interested to do this sort of thing. I admit that it would be very desirable, but personally I do not quite see where you are going to start under the present day conditions.

Q. The present recruiting of labour does not permit of any system of training ?

A. That is my opinion, and if we were to train these people it is questionable whether the mills would look upon them as being superior to the present people that they get.

Q. But surely when trained ..... ?

A. That is hypothetical.

Q. It is a question of their appreciating the training given. If the men have been properly trained they are bound to be at premium in relation to the other people, surely ?

A. That I admit is a reasonable view. But considering the large number of untrained people in the Bombay mills, I doubt very much whether a few trained people would have any effect on the problem. I quite agree that this labour is woefully inefficient and it is desirable to increase the efficiency of labour. But I am afraid we have no facilities. As things are at the present time the Victoria Jubilee Technical Institute could not do this sort of work.

Q. I do not mean your Institute. You said you are getting students from all over the Presidency ?

A. There are no other technical schools worth the name where power work is done in textiles, though there are a few places where handloom weaving is taught.

Q. It would be very expensive to start an institute of that sort ?

A. Yes, but nobody would do it in a place like Satara for instance, where there are no mills though they might be able to maintain an institute where this sort of thing could be done in a place like Sholapur. There is, however, no technical school of any kind in Sholapur at present. Apart from Bombay, Ahmedabad and Sholapur I do not think there is a place where a technical school teaching power work to operatives could be profitably maintained.

Q. Taking Bombay, is there any scope for other people taking over this work ?

A. With the sympathy and support of the mills, yes.

Q. They must finance it ?

A. It should be a joint sort of affair. The mills, on their part, would have to show their willingness to take these people when they were trained. Right from the beginning the Institute has aimed at turning out students who are employable. In the report which was submitted to the University Reform Committee when they wanted to know whether the Victoria Jubilee Technical Institute could not be affiliated to the University we did not think it ought to be. The Board of Management of the Victoria Jubilee Technical Institute does not think that there is at the present time any demand for a higher institution than ours, in textile work at any rate. We train students who are sufficiently well educated in this particular line, and there does not appear to be any demand for anything better.

Q. But the Committee reported in favour of a College of Technology ?

A. I know. I am representing the Victoria Jubilee Technical Institute.

Q. They were thinking of a higher stage of technical training ; I am thinking of a lower—for weavers and spinners ?

A. What you want apparently is a sort of Trade School ?

Q. Yes ?

A. Continuation Trade Schools—yes, provided the sympathy and support of the mills could be obtained.

Q. You think that is one way of improving the efficiency of labour just now ?

A. Yes, I think so. That is my own opinion, but I am not quite sure what is the best way to set about it.

Q. What would you suggest—apart from a Trade School ?

A. I cannot suggest anything. It is no use attempting to deal with the theoretical side of the business because these people are illiterate. I doubt whether you can go very deeply into this matter with these people.

Q. I do not mean theory. Can't practical training be given ?

A. If you could get a school started here by the mills and other bodies—I do not know whether Government would do it—if you had such a school it would probably take two years to make these people much more efficient than they are at the present time.

Q. You mean before they enter the mill ?

A. Yes.

Q. Would it be possible to run such schools in close association with mills ? They would work half time ?

A. That is apparently the ideal of the Social Service League school. They wanted to run the school with the help and sympathy of the mills. To some extent they had the help, but the enthusiasm seems to have disappeared.

Q. It is not easy for them to command sympathy in the present circumstances. We will take it independently of what they eardoing. Merely as a working proposition,

do you think it is possible for anybody to run a Trades School in the evenings or on certain days in the week in association with the mills so as to give the mill-hands a good training ?

A. Well, the Municipality might. In fact, I believe that matter was a year or two ago under consideration. It seems to me that the only body who can do it is the Municipality, since the prosperity of Bombay as a city is partly dependent upon the prosperity of the mill industry.

Mr. Majmudar.—Education of the jobbers and other workmen will have to be in the vernaculars ?

A. I am not aware that these people are educated at all. You mean in the future ?

Q. Yes.

A. Oh, yes, entirely in the vernacular. Provided they spoke the same vernacular it would not be difficult. The difficulty would arise if one had to deal with a large number of people who spoke different vernaculars. With the jobbers, however, it is quite possible that Marathi would be their native tongue and I should imagine there would be no difficulty in regard to them.

Q. Would you be able to give theoretical training to the jobbers in Marathi in your school ?

A. Yes. All the people on the staff of the Textile Department are Indians. They can all speak either Marathi or Gujarathi, and I should think that all know Marathi. If, however, members of our present staff could not do it and I do not see how they could, because of the present work which they have to do—other people could be obtained, I think, who could do it. I do not think there would be any difficulty about getting teachers who could give instruction in the vernacular required.

Q. Don't you think in the experimental stage it is always safer to start in an institute like yours ?

A. The only trouble is that we have no accommodation at all. The institution as it stands is not sufficiently large for the number of students that we have. The total number of students in the Textile Department is 133. 101 of those are in the Department at the present time. After the end of October we shall have all the 133 in attendance. With the facilities that we have we could not take many more. It is true that the staff could be increased, but it is a question of accommodation. If we were to take say, 100 of these operatives we should have to find accommodation for them, and that I am afraid is impossible in the present circumstances.

Q. I am thinking as to whether it would not be advisable to give them two or three hours' tuition every week ; they will be working in the mills every day and if you give them some lectures every week in order to enable them to understand the mechanism of the machines they are handling, it would improve their efficiency to a great extent.

A. I quite agree with you. But that work, as things are at present, could not be done in the day time in the Institute. Some other time would have to be found, though we have found that it is very difficult to get people to come in the evenings. That is the trouble at Parel. They cannot get people who will spend about 2½ hours in the school, except a very few who are keenly interested young men.

Q. In the case of jobbers, perhaps it can be arranged with the mills to give them leave for 2½ hours ?

A. I cannot say. I should not think that it could be done, because the jobber seems to me to be an important man, unless special arrangements were made, and that is a question for the mill management to deal with.

Q. With reference to the practical training for the students do you arrange that directly with the mills ?

A. Very largely. But sometimes if a student comes from an upcountry place where there is a mill he might try to make his own arrangements. We do everything for the convenience of the students.

Q. Otherwise do you write to the Millowners' Association ?

A. We have, as a matter of fact, a number of vacancies in the Bombay mills, and every year we send textile students to these mills. We have a permanent list of mills to which we can send students, and it is very rarely that a mill refuses to take the student allocated to it.

Q. Is it then that the students do not get admission to a particular mill and therefore they complain that they do not get proper facilities ?

A. Are they complaining ?

Q. Yes. Two years back there were one or two students who came to the Sholapur mills and they gave me to understand that they found it difficult to get admission to the mills for technical training.

A. For these six months' training ?

Q. Yes, especially in good mills.

A. I have had nothing whatever to do with the disposal of these young men. The permanent Principal did all that in March and April before he went on leave in June. So I am afraid I cannot give you exact information regarding that. All that I do know is that at the present time, since I took up the control of the Institute, all the fourth year textile students have been at work. Students are sent to particular mills and they have to go where they are sent. But students have complained in the past, some of them at any rate, not all, that the managers or the masters have not taken any interest in them. They say that they are allowed to wander round and waste their time as onlookers. On the other hand, I understand that mill managers and owners sometimes think that our students do not work and that they prefer to look on.

Mr. Subba Rao.—The complaint is that they don't take off their coats and work.

A. To some extent I must confess that there is something in it. I have found not only textile but engineering students who have finished their outside practice as soon as they put in the requisite ¾ths of the term of 24 weeks. Really they could stay for another two months but for various reasons they do not do so. Practical experience is not valued by them as it should be, and I do not know what they hope to become eventually. This, however, is not true of all students.

Q. You do not guide them while they are taking practical training ?

A. We cannot. They are supposed to be in the employ of the mills. They may come to us for advice, but we look upon them as being employed by the mills for those six months and they are subject to the discipline in the mills.

Q. You do not ask them to keep a diary of the work they do ?

A. Yes. They have to send in reports every week. They are supplied with diary forms and they have to let me know what they have done every week and these diary forms have to be countersigned by the controlling officer in the mill.

Q. Weekly reports ?

A. Oh yes ; and if these reports are not satisfactory—they are analysed at the end of six months—these men are not allowed to appear at the final examinations.

Mr. Majmudar.—Do you get any reports complaining about the apprentices ?

A. About bad work ?

Q. Yes.

A. A few. On the other hand, this year I have had at least one mill which commended the particular student as taking a keen interest in his work ; so that there are two sides to the question. But we do occasionally get complaints and we have to go into every case and, if it is a real case, then the student is rusticated for 12 months.

Q. Would you be getting about four or five complaints every year ?

A. I have had one complaint this year in relation to a textile student but when I investigated the matter I found that it was due to a misunderstanding.

Q. Do you think six months' practical training under the conditions you have mentioned, sufficient ?

A. My own personal opinion is that it is not long enough. But apparently the opinion of the Board of the Institute is that it is long enough ; otherwise they would not allow it. It has not always however been the practice to include outside practical work in the curriculum of the Institute, the present scheme being started about 20 years ago. I do not think that a young man can learn very much in six months, and he cannot acquire much practical experience worth anything in that time. I do not think that a student can get much practical experience, in a shorter period than three years. We do not pretend to turn out fully qualified practical experts. We cannot do that ; and if anybody thinks that we do, he is making a great mistake. The objectionable feature in giving them only six months' outside practice is this : it gives them the idea that they are fully-fledged experts, whereas they are not and cannot possibly be. As an introduction to later practical work, however, it may be good.

Mr. Subba Rao.—Can it be evermore than that ?

A. No, but some students do not think that. They think " we have had six months' outside practice and we know all about it ! "

Q. Even engineers with a degree have only six months' practice or one year at the most.

A. If it comes to that, the Bombay degree is given without outside practice at all.

Q. We prescribe one year of practical work in Mysore.

A. Yes. In Bombay the only practice is in the workshops in the College. In the Benares Hindu University they have prescribed one year and they do not give the degree

until the student has satisfactorily served one year outside. In the Institute, they have six months' training in the first half of the fourth year. Then they come back for a little extra training in the Institute during the second term of the fourth year and at the end of this year they take their final examinations. That the Institute has been successful is testified by the fact that there are in the Bombay mills at the present time quite a large number of men in responsible positions who have passed out from the Technical Institute. What we find however is that the competition in the textile industry is becoming very much keener, and that is one reason why, I think, we find that new students prefer to take up engineering and not textile work.

Mr. Majmudar.—We were told that the mills take their own supervisors and send them to the Institute for training ?

A. The apprentices whom we train on Saturday mornings are presumably these young men, and they are the people who are and who will be in competition with our own students.

Q. This has been started only recently ?

A. Yes. This is our third session for this work, in which we deal with the theoretical side of the business, and in addition give the apprentices an introduction to machine drawing, this helping them to realise how machines are built up and to understand the fundamentals of simple machine drawing.

Q. The diploma and training that you give is for the whole industry, spinning and weaving ?

A. That is right ; and eventually it will embrace dyeing and bleaching. At the present time whatever bleaching and dyeing is done, it is only on a laboratory scale. But we have now a small plant for that work, and we shall have that in working order in a little while.

Q. When a man goes for practical training, he goes either for spinning or for weaving. He does not go in for both.

A. Yes. That is all that he can do, except in special cases where a man can run through the whole mill. But the average student has to take up one branch or the other

Q. Would it not be better to divide the course into different divisions—spinning and weaving—so that the man may get the training for a longer period ?

A. Our present scheme is the result of evolution. I understand that in the past they have tried several schemes. At one time they had a four years' course, first two years spinning and the second two years weaving. That was 18 or 20 years ago, when the scheme was changed and a three years' combined course was adopted, this later being trained into the present four years' combined course. Do you suggest that a student should take up either spinning or weaving ?

Q. Yes. Then he will be able to devote greater attention to the practical side of it.

A. That is what is done in the school at Ahmedabad. But here we give him general training in both branches. I am not sufficiently a textile expert to say whether what you suggest is desirable. I should judge from what has happened that the Victoria Jubilee Technical Institute has found that it is not desirable in Bombay ; but more than that I cannot say.

President.—Where is the Institute situated ?

A. In Matunga.

Q. Is it near the mills ?

A. It is just beyond the mill area. It was originally situated in Parel right in the centre of the mill area but in 1923 we went to Matunga. There is no mill there, but it is not far from several of the northernmost mills.

Witness No. 27

THE BOMBAY, BARODA AND CENTRAL INDIA RAILWAY COMPANY

Written Statement dated Bombay 6th September 1926

In their representation to the Government of India, the Bombay Millowners' Association have given it as their opinion that one of the reasons for the present depression in the Bombay cotton textile industry is due to high railway freights and they therefore ask for a reduction of railway freight rates from Bombay to the principal upcountry markets and in their written statement placed before the Tariff Board they allege that—

1. High railway freights hamper the development of the industry especially in the export trade.

2. The railway freight has gone up since the war. The following instances are quoted in support :—

Articles	From	To	Rate per maund	
			In 1914	In 1926
			Rs. a. p.	Rs. a. p.
Cotton Full pressed ..	Ahmedabad ..	Bombay ..	0 9 3	1 1 1
Piece-goods	Bombay ..	Delhi ..	1 15 7	2 9 3
Do.	Do. ..	Cawnpore ..	1 14 1	2 5 2
Do.	Do. ..	Amritsar ..	2 6 5	2 14 10
Do.	Ahmedabad ..	Bombay ..	0 11 1	1 1 1

Note.—These were special rates.

2. We are not aware if the Ahmedabad Millowners' Association have put in their statement before the Tariff Board.

3. The following questions put by the Tariff Board directly concern the two Railways (B. B. & C. I. and G. I. P.) :—

"95. Can you give any instance of discrimination between Bombay, Ahmedabad and upcountry centres in the rates of railway freight charged for the carriage of raw cotton, yarn, piece-goods and mill stores inwards or outwards ?

"99. Can you suggest any improvements in the present railway facilities for the movement of cotton, yarn and piece-goods ?

"100. Do you consider that any case can be made out for a reduction in the present rates of railway freight charged on cotton consumed by Indian mills and on piece-goods and yarn manufactured in India ? "

4 The connection of the Railways with the textile industry at Bombay, Ahmedabad and certain other stations upcountry is restricted to the transport of the following article :—

Raw Cotton .. ..
Mill Stores .. .. } To the mills.
Coal .. ..
Yarn and piece-goods — From the mills.

and so far as the railway freight rates are concerned, the present rates as compared with the pre-war classified rates are not unduly high when we take into consideration our operating costs, as will be seen from the following figures :—

	Pre-war rates Pie per maund per mile	Present rates Pie per maund per mile	Percentage of increase per cent.
Raw Cotton in Full Pressed bales	R. R. 0·50	0·62	24
Mill Stores	R. R. 0·83	1·04	24
	O. R. 0·67	0·83	24
Yarn and Piece-goods in pressed bales ..	R. R. 0·67	0·83	24
	O. R. 0·50	0·62	24
	1913-14 Pies	1925-26 Pies	
Cost of hauling a goods unit (*viz.* one ton) one mile including interest on capital expended over broad gauge.	4·55	8·97	97

5. We make no discrimination in freight rates, nor in any other facility between Bombay and Ahmedabad or any other upcountry centres, nor is it practicable for us to discriminate between foreign and indigenous goods, or between goods for local consumption and goods for export. We give every facility we can for the movement of cotton, yarn and piece-goods, and when circumstances warrant it we even reduce our freight rates between particular stations. Thus, for instance, piece-goods and yarn from Ahmedabad and other upcountry centres can be carried to Calcutta direct by the all rail route at the same rates traders would have to pay if they carried it by rail to Bombay and booked it thence by sea. This has been made possible by a reduction of the railway freight rates and is a distinct facility. The rate from Ahmedabad to Cawnpore and *via* Cawnpore has also been reduced proportionately to the rate obtaining from Bombay to Cawnpore over the G. I. P. Railway so that the mills at the two places pay about the same freight per maund per mile.

6. As regards coal from the collieries for use of the mills, the freight rate were reduced by about 10 per cent. from 1st April 1926. The present freight rates both for public and railway coal are one and the same. We do not carry coal to Bombay. It is carried by the G. I. P. Railway's route or by sea *via* Calcutta port.

7. As will be seen from the following figures, our present cost of hauling a goods unit (*viz.*, one ton) one mile, including interest on capital expended is 97 per cent. higher than it was in 1914 whereas the freight rates generally are only 24 per cent. higher, and as the railways are run on a commercial basis and have, along with other commercial organisations, to pay higher prices for material, stores and wages, the time has not yet arrived for a reduction in freight rates—

Cost of hauling a goods unit (viz., *one ton*) *one mile, including interest on capital expended on open line*

Years	Broad Gauge	Percentage of increase over 1914	Metre Gauge	Percentage of increase over 1914
	Pies		Pies	
1913-14	4·55	..	5·20	..
1919-20	4·85	6	5·79	11
1923-24	6·90	52	6·28	21
1924-25	8·45	86	7·34	41
1925-26	8·97	97	6·33	22

8. As regards the position of the mills upcountry as compared with Bombay mills, the following questions have been put by the Tariff Board :—

"37. Can you give an estimate of the relative advantages that mills in (*a*) Ahmedabad and (*b*) any upcountry centre with which you are acquainted have over mills in Bombay, owing to (*a*) proximity to large upcountry markets, (*b*) proximity to coal fields, (*c*) proximity to sources of supply of raw materials ?

"58. In which of the elements making up the cost of production are mills in Bombay at an advantage or disadvantage as compared with mills in Ahmedabad and upcountry centres ? "

The mills in Ahmedabad have advantages over the Bombay mills in lower freight rates on coal, cheaper labour and lower municipal taxes ; also lower freights on raw cotton owing to the sources of supply being nearer. The only disadvantage the Ahmedabad mills experience is in freight charges on mills stores and machinery, which they have to obtain from Bombay, but this item of expenditure must be comparatively small. The coal freights are as under :—

From	To	Per ton	Difference per ton
		Rs. a. p.	Rs. a. p
Bengal (Jherriah) ..	Ahmedabad ..	12 14 0	0 14 0
	Bombay ..	13 12 0	
C. P. Coal (Junnor Deo) ..	Ahmedabad ..	6 12 0	1 1 0
	Bombay ..	7 13 0	

For export overseas, Bombay mills are at an advantage, but so far as upcountry markets are concerned, there is little to choose between the two manufacturing centres, as railway freights are proportionately the same—places nearer Ahmedabad have lower freights from Ahmedabad and similarly places nearer Bombay have lower freights from Bombay.

Further statement dated 28th September 1926

Questions 37, 38, 95, 99 and 100 of the Tariff Board's questionnaire, which concern this railway, have been dealt with in the note already submitted to the Tariff Board under this office letter No. T—219 C.—3, dated 6th September 1926.

2. The Ahmedabad Millowners' Association in their replies to the Tariff Board's questionnaire state that one of the reasons for the present depression in the textile industry is due to " inequitable railway freights " (see item 2, page 4) and they further state that—

(*a*) Bombay, being a port, enjoys the advantage of *preferential* railway freights (see item 36, page 14).

(*b*) The advantage Ahmedabad has of proximity to some of the upcountry markets is neutralised by *manipulated* railway freights (see item 37, page 14).

(*c*) Ahmedabad enjoys no advantages on account of proximity to coal fields (item 37, page 14). Ahmedabad and upcountry centres are at a great disadvantage as regards inland railway freights on raw cotton, yarn, piecegoods, and mill-stores. That port to port railway freights compare unfavourably with inland rates prevailing in the interior (see item 95, page 30).

(*d*) The freight from Okha to Ahmedabad is Re. 0-11-4 while from Bombay to Ahmedabad it is Re. 1-1-1 in spite of the distance being the same (see item 95, page 30).

(*e*) Facilities of reduced freight for the movement of cotton, cotton yarn and piecegoods manufactured in India are an imperative necessity, especially when the rates have increased on the basis of 1913 to over 50 per cent. The working cost of railways having been materially reduced, a reduction in freights is quite justifiable and will have a stimulating effect on the industry (see items 99 and 100, page 32).

3. In paragraph 4 of the Note submitted under this office No. T.—219 C.—3 of 6th September 1926 it has been clearly shown that the present freight rates charged by this railway are not unduly high as compared with the pre-war rates, when operating costs are taken into consideration. The Association's statement that the railway freight rates are inquitable is, therefore, not justified, nor are there any grounds for the allegations made by that Association that Bombay enjoys the advantage of preferential railway

freights and that the freight rates from Ahmedabad are so *manipulated* as to neutralise the advantage Ahmedabad possesses of proximity to some of the upcountry markets. Paragraph 5 of the same note disproves these allegations. There are no grounds either for the allegation that Ahmedabad is at a great disadvantage as regards inland freight rates on raw cotton, yarn and piecegoods, because under the Classification these commodities are charged at the same class rate whether they are transported to or from Bombay, or Ahmedabad, and since Ahmedabad is nearer to upcountry markets the freight rates are necessarily lower from Ahmedabad than they are from Bombay.

4. The lower freight rates from Okha to Ahmedabad as compared with those from Bombay to Ahmedabad, referred to by the Association, require some explanation. The port of Okha situated in the Gulf of Cutch (Kathiawar), has been recently opened and the railway serving that port has, with the object of securing traffic, made drastic reductions in its freight rates by quoting a *uniform* rate for all descriptions of goods *irrespective of their value*, in competition with the port of Bombay. The quotation of such a uniform rate is unprecedented in the history of Indian railways and is contrary to universal practice. Under the Indian Railway Conference Association's classification, goods are divided into 10 classes for the purpose of charge. It is not for this railway to criticise the soundness, or otherwise, of the reductions effected by the railway serving the port of Okha, but, in fairness to this railway, no comparison can be made between rates from Bombay to Ahmedabad which are quoted under an established and recognised Classification of goods, and rates from Okha to Ahmedabad *via* the Jamnagar Railway which are quoted arbitrarily and with the sole purpose of diverting trade from Bombay.

5. It is not understood what the Association mean when they say that the Ahmedabad mills " enjoy no advantages of proximity to coal fields." Apart from the fact that the railway freight rates on coal were reduced by about 10 per cent. from 1st April 1926, the freight rates from the Bengal and Central Provinces collieries to Ahmedabad are Re. 0-14-0 and Re. 1-1-0 per ton respectively lower than they are to Bombay. This difference in freight is decidedly in favour of Ahmedabad.

6. Reasons have already been given in paragraph 7 of the previous note against the reduction of the present freight rates. Though an isolated rate may now be 50 per cent. higher than it was in the pre-war period, due to the withdrawal of special rates during and after the war, freight rates ordinarily are now 24 per cent. higher than pre-war rates and this enhancement was made to meet the increased operating costs on railways.

Witness No. 28

THE G. I. P. RAILWAY

Written Statement dated 25th September 1926

In your letter you ask for the views of this Administration on those portions of the questionnaire which deal with railway freight and the position of the mills up-country compared with the Bombay mills. The relevant questions are 95 and 100 which read as follows :—

95. Can you give any instances of discrimination between Bombay, Ahmedabad and up-country centres in the rates of railway freight charged for the carriage of raw cotton, yarn, piece-goods and mill stores inwards or outwards ?

100. Do you consider that any case can be made out for a reduction in the present rates of railway freight charged on cotton consumed by Indian mills and on piece-goods and yarn manufactured in India ?

2. The two principal points are :—

(*a*) Whether there is discrimination in rating of piece-goods and yarn, raw cotton and mill stores between Bombay and up-country centres ; and

(*b*) Whether any case can be made out for a reduction in the present railway rates on cotton consumed by Indian mills and on piece-goods and yarn manufactured in India and I will reply to both points in seriatim.

3. Piece-goods, yarn and twist in bales, press packed and bound with iron bands or packed in boxes of cases, are chargeable over the G. I. P. section (which is that part of the G. I. P. Railway system from Bombay to Jubbulpore, Bhusawal to Nagpur, Bombay to Raichur and branches) at schedule " C " (exceptional classification) which is one pie per maund per mile, and over the rest of the system at 6th class, ·83 pie per maund per mile, R. R., and 4th class, ·62 pie per maund per mile, O. R. (ordinary classification).

4. Piece-goods, yarn and twist, not press packed nor in boxes or cases, are charged at 8th class, 1·04 pie per maund per mile, R. R. and 6th class, ·83 pie per maund per mile, O. R. over the G. I. P. system (this is the ordinary classification) with the exception that the owners' risk classification of 6th class does not apply over the G. I. P. section.

5. Cotton, full pressed, is chargeable over the different sections of this railway as follows :—

Over G. I. P. section	Over Indian Midland and Agra-Delhi Chord sections	Over Jubbulpore-Naini section
" C " schedule	*4th class*	*4th class*
One pie per maund per mile, R. R. (Exceptional classification).	·62 pie per maund per mile, R. R. (Ordinary classification).	·62 pie per maund per mile, R. R. (Ordinary classification).
* When booked at O. R. 6 pies lower per maund than " C " schedule. (Exceptional classification).		

Notes.—(*a*) The Indian Midland and Agra-Delhi Chord sections comprise the lines from Itarsi to Kilokri (7 miles from Delhi) and branches, with the exception of the Jubbulpore-Naini section.

(*b*) The Jubbulpore-Naini section was taken over by the G. I. P. Railway on 1st October 1925.

6. Mill stores are chargeable at 8th class, 1·04 pie per maund per mile, R. R., and at 6th class, ·83 pie per maund per mile, O. R., over the G. I. P. system. This is the ordinary classification.

* For example :—The " C " schedule rate from Bombay to Murtizapur R. R. is Rs. 2-1-4 ; this is 6 pies less at O. R. Rs. 2-0-10.

7. The schedule and class rates are charged on piece-goods, yarn and twist and on cotton, and the class rates are charged on mill stores at all stations except, when on account of competition, it is necessary to charge lower rates. That is to say, the schedule and the class rates are the normal rates and they are only departed from when failure to do so would result in loss of traffic. There is no discrimination between Bombay and up-country centres, all rates being based upon the above principle.

8. In 1914 the maximum rates for *piece-goods, yarn and twist, press packed*, were :—

Over G. I. P. section	Over Indian Midland and Agra-Delhi Chord sections
Old "Q" schedule	*Old 2nd class*
·80 pie per maund per mile, R. R. (Exceptional classification).	·500 pie per maund per mile, R. R. (Ordinary classification).

There was also an "N" schedule at O. R. operating over the whole system for distances over 476 miles, differentially applied which is to say the charge for a shorter distance did not exceed the charge for a longer distance. The bases of the rate were :—

Miles	Pie per maund per mile
476 to 650	·44
651 to 900	·33
901 and beyond	·25

The present maximum rates as shewn in paragraph 5 are :—

Over G. I. P. section	Over Indian Midland and Agra-Delhi Chord sections	Over Jubbulpore-Naini section
"C" schedule	*6th class*	*6th class*
One pie per maund per mile, R. R. (Exceptional classification)	·83 pie per maund per mile, R. R. (Ordinary classification).	·83 pie per maund per mile, R. R. (Ordinary classification).
	4th class	*4th class*
When booked at O. R., 6 pies lower per maund than "C" schedule. (Exceptional classification).	·62 pie per maund per mile, O. R. (Ordinary classification).	·62 pie per maund per mile, O. R. (Ordinary classification).

The schedule rate at R. R. has been increased 25 per cent. The old schedule "N" at O. R. has been cancelled. It is not possible to express the result of this in terms of percentages. The old 2nd class rate at R. R. has been increased to the new 6th class rate at R. R. 66 per cent.; while the increase from the old 2nd class rate at R. R. to the new 4th class rate at O. R. (there was no O. R. class rate in 1914) is 24 per cent., *plus* the extra risk to the public.

9. In 1914 the maximum rates for *piece-goods, yarn and twist, not press packed*, were :—

Over G. I. P. section	Over Indian Midland and Agra-Delhi Chord section
Old "Q" schedule	*Old 3rd class*
·80 pie per maund per mile, R. R. (Exceptional classification).	·666 pie per maund per mile, R. R. (Ordinary classification).

The present maximum rates as shewn in paragraph 6 are :—

Over G. I. P. section	Over Indian Midland and Agra-Delhi Chord sections	Over Jubbulpore-Naini section
8th class	*8th class*	*8th class*
1·04 pie per maund per mile, R. R. (Ordinary classification.)	1·04 pie per maund per mile, R. R. (Ordinary classification.)	1·04 pie per maund per mile, R. R. (Ordinary classification.)
	6th class	*6th class*
	·83 pie per maund per mile, O. R. (Ordinary classification.)	·83 pie per maund per mile, O. R. (Ordinary classification.)

That is to say, the railway risk rate has increased over the G. I. P. section by 30 per cent. and over the rest of the system by 56 per cent. while the increase from the old 3rd class rate at R. R. to the new 8th class at R. R. is 56 per cent. and to the new class rate at O. R. (not available over G. I. P. section) is 25 per cent. plus the extra risk to the public

10. In 1914, the maximum rates for cotton, full pressed were :—

Over G. I. P. section	Over Indian Midland and Agra-Delhi Chord sections
Old "Q" schedule	*Old 2nd class*
·80 pie per maund per mile, R. R. (Exceptional classification.)	·500 pie per maund per mile, R. R. (Ordinary classification.)

The present maximum rates as shown in paragraph 6 are :—

Over G. I. P. section	Over Indian Midland and Agra-Delhi Chord sections	Over Jubbulpore-Naini section
"C" schedule	*4th class*	*4th class*
1 pie per maund per mile, R. R. (Exceptional classification.)	·62 pie per maund per mile, R. R. (Ordinary classification.)	·62 pie per maund per mile, R. R. (Ordinary classification.)
When booked at O. R. 6 pies lower per maund than "C" schedule. (Exceptional classification.)		

The schedule and class rates have been increased by 25 per cent.

11. Station-to-station rates for *piecegoods and cotton* have been increased on account of competing railways increasing their rates, thus enabling the G. I. P. to bring their rates nearer the normal level. Two rates are mentioned at page 39 of the Millowners' statement, *viz.*, the rate for piecegoods from Bombay to Calcutta and that from Bombay to Cawnpore. In 1914 the rate from Bombay to Calcutta was Re. 1-1-0; it is now Rs. 1-8-0 an increase having been made of 41 per cent. This is 67 per cent. below the maximum rate leviable and is quoted on account of competition by sea. The rate from Bombay to Cawnpore in 1914 by the G. I. P. route was Rs. 1-13-1; it is now Rs. 2-4-2, an increase of 24 per cent. This is 82 per cent. below the maximum rate leviable and is quoted in competition with the E. I. Railway. All the rates given on page 32 of the millowners statement, are taken from the B. B. & C. I. tariff.

12. In 1914 the maximum rates for *mill stores* over the G. I. P. system were old 4th class ·833 pie per maund per mile, R. R., and old 3rd class ·666 pie per maund per mile, O. R. The present maximum rates, as shown in paragraph 6 are 8th class 1·04 pie per maund per mile, R. R. and 6th class ·83 pie per maund per mile, O. R. That is to say, the rates have been increased by 25 per cent.

13. The terminal in local booking has been increased from four pies at each end, except Bombay where it was six pies, to six pies at each end. In foreign booking it has been increased from 6 pies to 8 pies per maund.

14. To summarise the position so far as railway rates are concerned :—

(*a*) The schedule rate for *piecegoods, yarn and twist, press packed*, over the G. I. P. section has been increased 25 per cent. The old schedule "N" at O. R. has been cancelled. Over the rest of the system the old class rate at R. R. has been increased 66 per cent. while the increase from the old class rate at R. R. to the new class rate at O. R. is 24 per cent. *plus* the extra risk to the public ;

(*b*) The class rate for *piecegoods, yarn and twist, not press packed*, over the G. I. P. section has increased 30 per cent. and over the rest of the system by 56 per cent. while the increase from the old 3rd class rate at R. R. to the new 8th class rate at R. R. is 56 per cent. and to the new class rate at O. R. (not available over G. I. P. section) is 25 per cent. *plus* the extra risk to the public ;

(*c*) The normal rates for *mill stores* have been increased by 25 per cent. ;

(*d*) Station-to-station rates for *piecegoods, yarn and twist, press packed*, and for *cotton, full pressed*, have been increased.

(*e*) The terminal in local booking has been increased from four pies at each end, except Bombay where it was six pies, to six pies at each end. In foreign booking it has been increased from 6 pies to 8 pies per maund.

15. The increases in station-to-station rates have occurred as opportunities were afforded by competing railways increasing their rates. It must be emphasised that these station-to-station rates are deviations from the normal and that an increase in a station-to-station rate should not be regarded as a hardship seeing that whatever the increase may be, the rate does not exceed the normal. Every station to-station rate quoted is an advantage to the merchants which they obtain as the result of competition.

16. The only reason given in the Bombay Millowners' statement to the Tariff Board for a reduction in railway rates is that "railway freight has gone up since the war." The railway charges on piecegoods, yarn and twist on the G. I. P. have increased 50·4 per cent. and on cotton 53·6 per cent. These figures have been arrived at by ascertaining the charge per ton-mile in 1914-15 and comparing it with the present charge. The prices of long cloth and 20s yarn have increased by 79 and 72 per cent. respectively, but for many years during the period under review, their prices were very much higher than at present. The prices of long cloth and of 20s yarn at the peak period, August 1918, were over 300 per cent. above 1914 prices.

17. The expense of working the railway has increased approximately 68·6 per cent.

18. In conclusion, it is necessary to explain why the G. I. P. Railway is allowed to charge exceptional rates for piecegoods, yarn and twist and for cotton.

19. In the year 1901 a uniform classification was adopted on the principal Indian railways, exception being allowed for certain commodities which had been charged at a higher rate than that provided for them in the uniform classification. Cotton and piecegoods, yarn and twist are amongst the commodities for which the G. I. P. Railway retain their higher powers of charge. I shall deal with cotton first.

20. Cotton is a very valuable commodity, the railway charge represents a small proportion of its cost to the consumer, and there is no doubt that cotton can bear the charge levied. A special meeting of the Committee of the Bombay Chamber of Commerce was held on 3rd January 1902 to enable the members to meet Mr. Robertson, C.V.O., the Special Commissioner appointed by the India Office to enquire into the administration and working of Indian railways. Mr. Muirhead the then General Traffic Manager of this Railway, asked the members present whether if rates for cotton were reduced, it was likely that business or the area under cotton would be increased. Mr. Zygouras, the head of Ralli Bros., our biggest constituents, replied that he did not consider any increase in business would follow a decrease in rates, and added that the railway rates for cotton had not been considered too high. This was nearly a quarter of a century ago, and the maximum rate has only been increased 25 per cent. notwithstanding the enormous increase in working expenses and in the price of cotton. It is probably true that rates at the

present time could be considerably increased without in any way restricting the movement of cotton. No complaints about the general level of the rates have been received from the merchants.

21. The very low general classification of the old 2nd class (cotton is now generally classified at 4th class) was adopted from the classification of the E. I. Railway, which administration has it rates for cotton kept down by river competition, and was constructed and is operated very cheaply. Even had a higher classification been allowed the E. I. Railway little use could have been made of it, and as that railway carries only a comparatively small amount of cotton, the matter was of little importance to it. Cotton is the most important commodity carried on the G. I. P. Railway, whichis not alone in being allowed to charge exceptional rates for it.

22. It is essential for this administration to retain special facilities for charge where such are justifiable. The cost of service must be taken into consideration when fixing a rate, for it is impossible to determine the reasonableness of a rate without regarding the expenses of operation and a fair return on capital. The G. I. P. Railway owing to the ghats leading up to the tableland of India and other heavy gradients, and to its distance from the collieries which supply it, has been put to heavy charges for construction and is costly to operate. The financial position does not admit of cotton rates being reduced without rates on other commodities being increased. Even if this were not so, the present cotton rates should be retained and any surplus employed in the reduction of rates on commodities the movements of which can be stimulated. The average yearly interest earned on the capital at charge of the G. I. P. from the year ending 31st March 1914 to the year ending 31st March 1926, both inclusive, is 5·04 per cent.

23. The reduction in rates, which would have followed the adoption of the general classification for full pressed cotton, would have been equal to a very small fraction of the fluctuations in the price of cotton which continually occur, and to illustrate what these fluctuations may mean, the following example may be given. A firm, say on the 22nd December last, instructed their agents to buy cotton in Murtizapur, when the price for Fine Berar cotton was Rs. 33-7-6 per maund in Bombay. By the 25th January, the price had risen to Rs. 37-2-1 per maund, a difference of Rs. 3-10-7 in favour of the buyer. The present railway freight Murtizapur to Bombay is Rs. 2-0-10 per maund. If the ordinary classification for cotton had been adopted it would have been Rs. 1-4-11 per maund, and a difference of Re. 0-11-11 per maund would have been lost to the Railway without affecting the movement of the traffic. The same remarks apply to cotton for other localities.

24. It must always be remembered that the G. I. P. Railway is prevented from taking full advantage of the exceptional classification of full pressed cotton because of adjacent railways having lower classifications.

25. Many of the arguments in justification of the exceptional rates for cotton are applicable to piecegoods.

26. Piecegoods, twist and yarn are very valuable commodities and the railway charges represent a small proportion of their cost to the consumer.

27. It is essential for the railway to retain exceptional charges as pointed out in paragraph 21.

28. The manufactured article is not charged more than the raw material.

29. No complaints about the general level of the rates have been received from the merchants.

30. Full advantage cannot be taken of the exceptional classification on account of the lower classifications of competing railways.

31. If no complaint is received that a rate is too high it is, almost invariably, safe to conclude that either it is at its proper level or too low. I have been unable to trace any complaints about the general levels of the rates dealt with in this letter. Objections have been made to certain rates on the ground that they are higher than those charged in competition with other railways, but no objections can be traced that the rates are too high in themselves. This gives very strong support to our contention that the rates are reasonable.

Further statement dated the 18th October 1926

You asked for the observations of this Administration on the Ahmedabad Millowners' Association's replies to questions 37, 58, 95, 99 and 100 in the questionnaire issued by the Indian Tariff Board. The views of this Administration were also called on the points raised in a representation dated 29th September 1926, which certain

representatives of the Sholapur cotton industry addressed to the Railway Board, which is returned herewith.

2. Question No. 37 and the answer thereto read as follows :—

Q. Can you give an estimate of the relative advantages that mills in (*a*) Ahmedabad, and (*b*) any upcountry centre with which you are acquainted have over mills in Bombay owing to (*a*) proximity to large upcountry markets, (*b*) proximity to coal fields, and (*c*) proximity to supply of raw materials ?

A. Regarding Ahmedabad :

(*a*) The advantage of proximity to some of the upcountry markets is neutralised by manipulated railway freights ;

(*b*) Ahmedabad enjoys no advantages of proximity to coal fields ;

(*c*) It is in the midst of a great cotton growing district and to that extent has the advantage of obtaining cotton near at hand.

Clause (*a*). It is difficult to comment on this clause as it is very general but if instances were quoted in support of the statement we should be in a position to reply. As Ahmedabad is on the B. B. & C.I. Railway it is not certain that we are concerned with the rates which the millowners have in mind.

Clause (*b*). Ahmedabad enjoys a slight advantage as compared with Bombay as the freight rate per ton of coal from Jharria and Bhaga to Ahmedabad is Rs. 13-2-0 against Rs. 13-12-0 from Jharria and Bhaga to Bombay ; and from Junnerdeo to Ahmedabad the freight rate is Rs. 7 per ton, while the freight rate from Junnerdeo to Bombay is Rs. 7-13-0.

Clause (*c*). This calls for no comment.

3. The millowners' reply to question 58 is stated by them to be covered by their replies to questions 36 and 37. Question 36 and answers thereto read as follows :—

Q. What advantages, if any, do you consider that Bombay mills have over mills in Ahmedabad and upcountry centres ?

A. Bombay enjoys the following advantages :—

(*i*) Being a port it has special transport facilities both inland and overseas ;

(*ii*) Being a port it enjoys the advantage of preferential railway freights ;

(*iii*) Being a port it has all things laid down at its door, thus saving those freight charges which inland mills have to bear on their mill-stores, machinery, etc ;

(*iv*) Favourable climatic conditions ;

(*v*) It is one of the recognised emporiums of trade affording Bombay mills facility for the disposal of their goods ;

(*vi*) Banking facilities ;

(*vii*) The presence of the cotton Green in Bombay is an undoubted advantage in the selection and purchase of suitable cotton ;

(*viii*) It has the advantage of having the alternative of using coal or electrical power.

The only clause which calls for comment is (*ii*). We have been forced to quote reduced rates from Bombay owing to competition with steamships and other railways. Such reduced rates cannot be considered as giving undue preference.

4. Question 95 and the answer thereto read as follows :—

Q. Can you give any instances of discrimination between Bombay, Ahmedabad and upcountry centres in the rates of railway freight charged for the carriage of raw cotton, yarn, piecegoods and mill-stores inwards or outwards ?

A. Ahmedabad and upcountry centres are at a great disadvantage as regards inland railway freights on raw cotton, yarn, piecegoods, and mill-stores. Port to port railway freights compare unfavourably with inland rates prevailing in the interior.

It may be noted that the freight from Okha to Ahmedabad is 11 as. 4 ps. while from Bombay to Ahmedabad it is Re. 1-1-1 inspite of the distance being the same.

From Bombay to Calcutta *via* Jubbulpore a distance of 1,333 miles, the rate per maund, it appears, is Rs. 1-8-1, while from Sholapur direct to Calcutta, a distance of 1,323 miles which is less by ten miles, the rate per maund is Rs. 4-7-2 which is fully three times the former rate. Further from Sholapur to Calcutta *via* Bombay, a distance of 1,500 miles, the rate per maund is Rs. 3-0-1, which by the way, is subject to arrangement being made for unloading and reloading goods at Bombay, which is twice as much again as the rate from Bombay to Calcutta *via* Jubbulpore, although there is only a difference of 167 miles in the distances. Moreover, Bombay, Sholapur, Madras and Ahmedabad are respectively 957 miles, 1,056 miles, 1,569 miles, and

537 miles distant from Delhi, the rates per maund are Rs. 2-10-3, Rs. 4-0-7, Rs. 4-0-0 and Rs. 1-12-9 respectively.

(*a*) Bombay has an advantage over Ahmedabad in certain railway rates as stated in the previous paragraph.

(*b*) We are not concerned with rates between Okha Madhi (which is a station on the Jamnagar and Dwarkha Railway) and Ahmedabad.

(*c*) Comparisons are made between the rates from :—

(*i*) Bombay to Calcutta ;

(*ii*) Sholapur to Calcutta direct ; and

(*iii*) Sholapur to Calcutta *via* Bombay.

In April last we introduced a direct rate from Sholapur to Calcutta *via* Nagpur of Rs. 2-15-5 and *via* Naini of Rs. 3-1-1, respectively, whereas it is stated in the millowners' answer that the rate is Rs. 4-7-2. The reason the rate from Bombay to Calcutta is cheaper than that from Sholapur to Calcutta is because of the steamship competition between the ports.

(*d*) It is pointed out that Bombay, Sholapur, Madras and Ahmedabad are respectively 957, 1,056, 1,569, and 537 miles distant from Delhi, while the rates per maund are Rs. 2-10-3, Rs. 4-0-7, Rs. 4-0-0 and Re. 1-12-9. The Bombay-Delhi rate is governed by competition with Howrah and Karachi. The Madras-Delhi rate is forced down by competition *via* Calcutta and the sea route. There is no such competition at Sholapur and no reduction is therefore necessary. We are not concerned with the rate from Ahmedabad to Delhi which operates over the B. B. & C. I. Railway.

5. Questions 99 and 100 and the answers thereto read as follows :—

Q. Can you suggest any improvements in the present railway facilities for the movement of cotton, yarn and piecegoods ?

Q. Do you consider that any case can be made out for a reduction in the present rates of railway freight charged on cotton consumed by Indian mills and on piecegoods and yarn manufactured in India ?

A. Facilities of reduced freight for the movement of cotton, cotton yarn and piecegoods manufactured in India are an imperative necessity, especially when the rates have increased on the basis of 1913 to over 50 per cent. Some specific instances are given in paragraph 114 of the Bombay Millowners' Association's statement. The working cost of railways having been materially reduced, a reduction in freights is quite justifiable and will have a stimulating effect on the industry.

It is urged that a reduction in freights is quite justifiable " the working costs of railways having been materially reduced ". Far from this statement being correct the expense of working the railway in 1926 as compared with 1914 has increased approximately 68 per cent.

6. I return herewith the copy of the representation referred to in paragraph 1 above which was received with your letter under reply. A copy of this representation was forwarded to this Administration by the Secretary, Millowners' Association, Bombay, in November 1925, and I cannot do better than enclose a copy of the reply sent to the Secretary, Millowners' Association, Bombay (Annexure A). This railway has from 1st April last introduced a rate from Sholapur to Calcutta equal to the rebooking rate *via* Bombay.

ANNEXURE A

Copy of a letter dated 20th January 1926 from the G. I. P. Railway Company, to the Secretary, Bombay Millowners' Association

I have to point out that in framing rates " distance " is not the only deciding factor as appears to be assumed in the representation of the millowners of Sholapur Various other considerations have to be taken into account especially the cost of carriage by competitive routes. I deal with the points raised in the Sholapur letter seriatim :—

(*i*) *Rates to Calcutta.*—There is an alternative route by sea for goods traffic between Bombay and Calcutta and railway rates between these places have been forced down as a result of this competition. The same reasons have forced us to quote reduced rates from Bombay to Madras and Madura.

The rate from Ahmedabad to Calcutta *via* Agra East Bank is Rs. 2-9-1 per maund and not Rs. 1-14-0 as shown in the representation. It may here be pointed out that the same through rate of Rs. 2-9-1 per maund is available from Ahmedabad to Calcutta *via* Amalner and Nagpur.

(*ii*) *Delhi.*—Bombay-Delhi rates are governed by competition with the Calcutta and Karachi ports. The Madras-Delhi rate is also forced down by competition *via* Calcutta and the sea route.

(*iii*) *Cawnpore.*—Bombay-Cawnpore rates are quoted in competition with the East Indian Railway rates between Calcutta and Cawnpore. The Hubli-Cawnpore rate is quoted equal to the Bombay rebooking rate. The distance from Ahmedabad to Cawnpore by the B. B. & C. I. Railway route is 745 miles and not 1,137 as mentioned in the representation.

(*iv*) *Madras.*—The correct Bombay-Madras rate is Rs. 2-2-3 per maund and not Re. 1 per maund against the rate of Rs. 1-10-7 from Sholapur to Madras. The Ahmedabad-Madras rate is influenced by the sea competition *via* Bombay.

(*v*) *Amritsar.*—The Madras-Amritsar rate is forced down by sea competition *via* Calcutta.

(*vi*) *Madura.*—The rate from Petlad to Madura is Rs. 2-10-11 and not Rs. 3 as stated; it is quoted in competition with the rate obtained by the sea-cum-railway route *via* Bombay and Tuticorin.

2. From these remarks it will be observed that the special rates in force have in every instance been necessitated by adjustment with rival competition rates but I take this opportunity of pointing out that if a railway can win and retain competitive traffic at remunerative rates the ultimate result is a general lowering of the rate level. The converse is true that if a line ceases to compete for traffic the general level of other rates will inevitably rise. The principle of all railways is to charge what the traffic will bear, *i.e.*, not to charge so high a rate that the free development of trade will be hampered. This is the policy that has been followed at Sholapur and the figures of traffic show that the Sholapur mill industry has profited exceedingly under the rating policy of the G. I. P. I need not here reproduce in support of that statement the current market value of Sholapur mill shares or the record of past dividends. These will be well known to your Association.

Witness No. 29

THE MADRAS & SOUTHERN MAHRATTA RAILWAY Co., LTD.

Written Statement dated the 21st September 1926

With reference to your letter No. 368 of 11th August 1926, forwarding for remarks the pamphlet relating to the Indian textile industry enquiry which is being held by the Indian Tariff Board, it is pointed out that the items concerning railways therein affect the interests of the G. I. P. and B. B. & C. I. Railways rather than this Administration. It would appear that the cotton textile industry in the Bombay Presidency, and more especially in Bombay City and Ahmedabad, is undergoing a period of depression which, according to the Bombay Millowners' Association, is due to unfair competition from other countries, especially Japan.

On page 9 of the pamphlet, it is stated that the Tariff Board have received a representation from the Bombay Millowners' Association containing certain proposals for remedying the present depression in the industry. One of these proposals is "reduction of railway freights from Bombay to the principal upcountry markets." The question of reduced railway freights is being dealt with in a later paragraph; it is, however, remarked that it is not apparent how such reduction in railway freight to upcountry stations will help the Bombay mills to cope with Japanese competition, as, presumably, Japanese piece-goods landed at Bombay would also benefit by any reduction in freight quoted from Bombay to upcountry stations.

Page 19—

Question 95.—"Can you give any instances of discrimination between Bombay, Ahmedabad and upcountry centres in the rates of railway freight charged for the carriage of raw cotton, yarn, piece-goods and mill stores, inwards or outwards?"

This question concerns the Bombay railways. As far as this Administration is concerned, it is pointed out that special rates are quoted for full pressed cotton from stations on this railway to Bombay, and it is proposed, in conjunction with the G. I. P. Railway, to introduce a special rate from Davangere to *via* Dadar on the same basis for Ahmedabad traffic. Special rates are also quoted to certain stations on this railway from Bombay and from *via* Dadar (for Ahmedabad traffic) for piece-goods. There is no trace that instances of discrimination on the part of this Administration have occurred.

Page 20—

Question 99.—"Can you suggest any improvement in the present railway facilities for the movement of cotton, yarn and piece-goods?"

Question 100.—"Do you consider that any case can be made out for a reduction in the present rates of railway freight charged on cotton consumed by Indian mills and on piece-goods and yarn manufactured in India?"

It is considered that both these questions should be replied to by the millowners and traders rather than by the railways. As regards railway freight, this is again a question for the Bombay railways though I add some remarks in connection with it below.

Pages 25 to the end of the book are occupied with an exhaustive statement, together with its enclosures, from the Millowners' Association giving full particulars of their case and on page 37 reference is once more made to high railway freights. Item 8 on that page which gives a list of circumstances stated to be hampering the growth and development of the textile industry, reads as follows:—

"High railway and steamer freights hamper the development of the industry, especially in the export trade. In this respect, the Japanese with their subsidised steamship lines, have a distinct advantage."

Presumably the rates for full pressed cotton from upcountry stations to the industrial centres in Bombay are referred to. In this case this Administration cannot be said to be hampering the industry, for as already stated, special rates are quoted for full pressed cotton to Bombay, and in the near future a special rate will be quoted from Davangere to *via* Dadar for Ahmedabad.

On page 69 of the pamphlet the Millowners' Association give details showing how railway freight to and from certain centres has increased since the war.

In connection with these details it is remarked that the rates quoted for 1914 were all special rates, whereas the rates in force in 1926 are ordinary class rates over the B. B. & C. I. Railway. The rates for piece-goods quoted by the G. I. P. Railway by agreement with the B. B. & C. I. Railway are 1 anna per maund higher than the B. B. & C. I. Railway rate from Bombay to Delhi and *via*. It is also pointed out that the G. I. P. Railway

have adopted an exceptional classification over the G. I. P. Railway Section of their line for full pressed cotton and piece-goods which are charged at 1 pie per maund per mile higher than the ordinary classification.

Finally, on page 77 the Association sum up their recommendations to Government for assisting the industry back to prosperity, and the first item is as follows :—

"(*a*) by reducing railway freights on Indian mill-made goods to Calcutta, Delhi, Cawnpore, Lahore, Amritsar, and other piece-goods and yarn markets."

Here again it is not considered that this railway can do better than it is doing at present, because as previously pointed out in this reference, we have special rates in force for piece-goods from Bombay and from *via* Dadar (for Ahmedabad traffic) to certain stations on this railway. Such special rates compare very favourably with the ordinary class rates charged over the B. B. & C. I. Railway, and the special high rate charged over the G. I. P. Railway.

So far as it concerns railway matters the general impression gained from a perusal of the pamphlet forwarded with the letter under reply is a reiterated demand for reduction of rates. To indicate how this line cannot be accused of unduly high rates, statements shewing (A) the special rates in force on this railway for full pressed cotton to Bombay Presidency stations, compared with the special rates quoted in comparable cases by the B. B. & C. I. and G. I. P. Railways and (B) the same information for piece-goods from Bombay, are enclosed (Annexures A and B).

As regards *ordinary* rates in force on this railway for full pressed cotton and piece-goods, the classification is as follows, compared with the G. I. P. classification for the same commodities. (*N.B.*—The B. B. & C. I. Railway adopt the same classification as on this railway.)

	Cotton full pressed		Piece-goods press-packed, etc.	
	Class	Pie per Maund per mile	Class	Pie per Maund per mile
M. S. M.	4 RR	·62 pie	6 RR	·83 pie
			4 OR	·62 ,,
G. I. P. Section Sch.	"C".	1 ,,	Sch. "C"	1 ,,
I-M do.	4 RR	·62 ,,	6 RR	·83 ,,
			4 OR	·62 ,,

It is considered that these facts are sufficient evidence to shew that this company is already doing all that can reasonably be expected of it to assist the Bombay textile industry.

Endeavour has been made to ascertain whether the general depression in the Bombay textile industry has affected the traffic on this system, and figures are furnished shewing particulars of traffic in full pressed cotton booked from stations on this line to Bombay stations for the years 1922-23, 1923-24 and 1924-25. Similar figures for manufactured cotton received from Bombay stations to stations on this line during the same period are also appended hereunder :—

	1922-23 Mds.	*1923-24* Mds.	*1924-25* Mds.
Cotton, raw, from M. & S. M. stations to Bombay stations.	*915,641*	*1,510,284*	*1,186,612*
Cotton manufactured, to M. & S. M stations from Bombay Presidency	496,492	463,144	472,213

As regards the full pressed cotton, it will be seen that while the traffic increased considerably during 1923-24, there was a decrease in the year 1924-25, although the total traffic in that year exceeded the traffic of 1922-23. On the other hand the cotton crop was not nearly so good in 1924-25 as in the previous year.

As regards piece-goods, the quantity received from Bombay stations had declined slightly in 1923-24, but there was an increase during 1924-25 ; but the total figure of that year was not equal to the figure of 1922-23.

It cannot be said that these figures give any indication that this Administration has been much affected by the depression in the Bombay textile industry, because the full pressed cotton exported from this line is not wholly used by the Bombay mills ; and as regards imports of piece-goods from the Bombay Presidency, the development of mills in and round Madras must necessarily affect imports from the Bombay Presidency.

ANNEXURE A

Statement (A) showing special rates for cotton full pressed from stations on the M. S. M., G. I. P. and B. B. & C. I. Railways to Bombay

From M. S. M. Rly. Stations			To Bombay (*via* Poona)			To Kurla (*via* Poona)		
			Per Maund Rs. a. p.			Per Maund Rs. a. p.		
Davangere ..	423	M. S. M.	1 0 8	·473	423	1 1 2	·487	
	119	G. I. P.	0 4 11	·496	110	0 4 5	·482	
	542		1 5 7		533	1 5 7		
Hubli	333	M. S. M.	0 12 4	·444	333	0 12 9	·459	
	119	G. I. P.	0 4 7	·462	110	0 4 2	·455	
	452		1 0 11		443	1 0 11		
Gadag	369	M. S. M.	0 13 12	·453	369	0 14 5	·469	
	119	G. I. P.	0 4 10	·487	110	0 4 4	·473	
	488		1 2 9		479	1 2 9		

From G.I.P. Rly. Stations	Miles	To Bombay Per Maund Rs. a. p.		From B.B.& C. I. Rly. Stations	Miles	To Bombay (B.P.T. Rly. Stations) Per Maund Rs. a. p.	
Ahmednagar ..	218	1 2 8	1·027	Indore ..	480	1 6 7	·565
Jalgaon ..	261	1 6 3	1·023	Ratlam ..	406	1 5 6	·635
Amraoti ..	419	2 1 7	·962	Ujjain ..	466	1 8 7	·633
Hinganghat ..	493	2 0 2	·783	Delhi Sadr ..	845	2 8 9	·579
Gwalior ..	763	2 8 3	·633				

ANNEXURE B

Statement (B) showing rates for piece-goods from Bombay to stations on the M. S. M., G. I. P. and B. B. & C. I. Railways

To M. S. M. and S. I. Ry. Stations				Per Maund Rs. a. p.	
Cocanada Town or Port (*via* Hotgi) ..	292	G. I. P.	..	0 7 6	·308
	710	M. S. M.	..	1 1 6	·296
	1,002			1 9 0	
Via Waltair (for traffic to Vizianagaram, etc.) *via* Hotgi.	292	G. I. P.	..	0 7 0	288
	793	M. S. M.	..	1 1 2	·260
	1,085			1 8 2	
Via Waltair (for traffic to Berhampur Ganjam) *via* Hotgi.	292	G. I. P.	..	0 7 2	·295
	793	M. S. M.	..	1 1 10	·270
	1,085			1 9 0	
Madura Jn. (*via* Raichur and Arkonam) ..	443	G. I. P.	..	0 10 6	·284
	308	M. S. M.	..	0 7 3	·281
	350	S. I.	..	0 8 3	·283
	1,101			1 10 0	

G. I. P. Rly. stations			Per Maund Rs. a. p.		B. B. & C. I. Rly. stations			Per Maund Rs. a. p.	
769	Katni ..	..	2 2 4	·522					
607	Bina ..	..	2 8 5	·799					
718	Chabra-Gugor	..	2 1 11	·566					
702	Jhansi ..	..	2 7 0	·667					
839	Cawnpore ..	..	2 4 2	·517	992	Cawnpore	..	2 5 2	·450
838	Agra, Fort	..	2 8 9	·584	779	Agra, Fort	..	2 9 3	·634
957	Delhi Sadr	..	2 10 3	·531	848	Delhi Sadr	..	2 9 3	·583

Witness No. 30

Mr. TAMAGAKI, AGENT, THE JAPAN COTTON SPINNERS' ASSOCIATION, BOMBAY

Written Statement dated the 9th August 1926

A copy of the representation of the Bombay Millowners' Association in connection with the enquiry into the cotton textile industry, together with the Questionnaire issued by your Board came to my hands early this month and I have perused it with very great interest. Representing, as I do, the Japan Cotton Spinners' Association, in India, I feel called upon to repudiate the many inaccurate and misleading statements appearing in the Millowners' Memorandum, but owing to the impossibility of communicating by mail with my Head Office within the short space of three weeks, I feel painfully handicapped in my task. In the absence, therefore, of full information, which I could only obtain after more than two months from my headquarters, I keenly regret my inability to render such assistance as I should like to offer to the Board in their labours in arriving at a just and equitable solution of the question so far as it relates to what is called "Japanese Competition", and I earnestly solicit their indulgence therefor. Nevertheless, I propose to avail myself of the opportunity of offering a few general remarks on some points raised by the Bombay Millowners' Association. I have no desire to criticise Indian labour conditions and labour efficiency, much less to probe the administrative machinery of Indian, especially Bombay mills. These are purely domestic matters with which I am not directly concerned. I shall content myself by offering a few remarks on the Japanese exchange and labour questions, freight subsidies and the nature and extent of Japanese competition with Indian mills.

Exchange.—It is sought to prove in Paragraph 57 and by the Table on page 17 that depreciated exchange has helped Japan in successfully competing with Indian mills. The argument is certainly ingenious, and the Table is very cleverly prepared, but it is wholly misleading. It is argued that from the middle of 1924 onwards the depreciation of the Yen has helped to reduce the price of Japanese goods, but the whole calculation rests upon the arbitrary fixation of Yen 190 as the manufacturing charges per candy (column 8). This figure is arrived at on the basis of what is called "normal exchange" (*i.e.*, 153). Leaving aside for the present the actual exchange rate from the middle of 1924 and onwards, "normal exchange" on the basis of par value (with sterling at $\frac{1}{8}d.$) should be 134 and on this basis the manufacturing charges work out to Yen 220. But even this figure rests upon the assumption that owing to the superior efficiency of Japanese operatives the manufacturing cost in Japan is 80 per cent. of that in India. Assuming that Japanese efficiency is 20 per cent. higher than Indian, this would make a small difference in the wages item only of the cost of production; but the Bombay Millowners mistakenly reduce the whole cost of production by 20 per cent., a very serious miscalculation indeed. It is also conveniently forgotten that if Japanese efficiency is higher, Japanese wages are also fully 60 per cent. higher than in India. Hence the manufacturing charges should be considerably in excess of Yen 220 per candy. Then, again, whereas the Bombay Millowners' Association deem Yen 20 for freight as sufficient to meet shipping expenses both ways, the lowest figure worked out correctly is nearly Yen 30 excluding the commission on both sides. Also, column 7 merely shows the price of Broach cotton per candy converted into Yen. To this must be added interest charges for three months on cotton stocks. Japanese cotton merchants must reckon two months as the time required in which to make delivery of the goods bought in Bombay to the spinning companies, for in addition to the usual number of days needed for navigation, there is often the inconvenience of securing bottom and distribution difficulties are often experienced after the arrival of the goods in the Japanese ports. Thus, because Japan is far removed from the place of production and the consequent time required for delivery is considerable, the spinning companies of Japan are obliged to maintain a certain amount of stock of raw cotton, with which to meet emergencies, and unexpected requirements for mixing purposes. Under such circumstances the Japanese spinning companies have to pay interest on money paid for stocks of raw cotton for at least three months—a charge which the Indian cotton spinners are not subject to. In the light of these corrections the figures in columns 10 and 11 will vary considerably and it will be apparent that prices of Japanese cloth are comparatively higher than those of Indian.

Proceeding with the argument that the depression in the Indian mill industry is due to Japan's depreciated exchange, the Bombay Millowners' Association come to this happy conclusion in paragraph 128: "At present the exchange is 129 instead of 153, the normal exchange before the War, and therefore, the protection which ought to be given to the industry at the present time should be something like 8 per cent." Here again the Millowners are harping on the pre-war exchange rate (namely, 153) quietly ignoring the fact that the sterling exchange today is $\frac{1}{8}d.$ and not $\frac{1}{4}d.$ Japanese exchange had

depreciated to 108 after the earthquake in Japan but stands at 131 now, or very near par value, with sterling exchange at ¼*d.* If the sterling exchange goes down to ¼*d.*, Japanese exchange will be 150. Hence, there is no difference near par between the sterling and Japanese exchange and the Bombay Millowners' Association cannot, therefore, ask for protection of 8 per cent. against Japan only.

In this connection it may well be pointed out that Japan is the only country manufacturing goods from Indian Cotton and exporting them to India; the other leading manufacturing countries which compete in the Indian market do not buy Indian cotton. Thus, whereas, in the case of Japan, the benefit of exchange fluctuations is minimised by the advantage in exports (manufactures) being offset by the disadvantage in imports (Cotton), the other manufacturing countries who only export their manufactures to India secure the full benefit of exchange fluctuations. If, therefore, as is argued by the Bombay Millowners' Association, Japan is required to be penalised for the benefit that she derives from exchange fluctuations, then, *a fortiori*, the other manufacturing countries should be all the more severely penalised. The exchange problem is one that concerns and affects the country as a whole and has to be considered in relation to all the various interests and not specifically for putting a ban on Japanese imports.

The Bombay Millowners' Association complain that the Government of India's currency policy, namely, the closing of Indian mints in 1893 to the free coinage of silver, ruined India's yarn trade with China and seriously affected the prosperity of the Bombay mill industry. Japanese mills were precisely in the same predicament when the gold standard was established in Japan (formerly a silver country) in 1898, but they relied on self-help. The adoption of the gold standard completely upset the exchange between Japan and China and the serious financial crisis in Shanghai paralysed the whole business and there was practically no demand for Japanese yarn. On the other hand, Japan had just emerged from a victorious war which gave an impetus to the cotton industry. And when the crisis came, the spinners found themselves in great difficulty with the accumulated stocks produced in the improved and expanded mills. Hereupon the spinners consulted and discussed about giving an allowance to encourage export, but could not come to an agreement. As a last means the Association asked Government for a bounty, but this was refused. In the spring of 1902, the price of silver began to fall and the rate of exchange on China rose enormously which practically stopped the trade with China. This again placed the spinners in a very critical situation. The spinners th refore reduced their working-hours and succeeded this time in persuading the members of the Association to adopt the system of granting an allowance on exported goods. The allowance was simply a means of mutual aid instituted among the spinners themselves with their own funds to help themselves over the difficulty caused by the industrial depression.

Double shift and the night employment of females and minors.—The Bombay Millowners' Association argue that Japanese competition with Indian mills is unfair because (1) Japanese mills are allowed to work 2 shifts for 20 hours a day, and (2) they are allowed to employ female and child labour at night; and on these grounds they ask for a further protection of 5 per cent. against Japan.

Now, it is as mischievous as it is incorrect to say that Japanese competition is unfair for these reasons, because there is no prohibition whatsoever, in Japan or India or elsewhere, against double shifts*; nor does the employment of female labour at night constitute any breach of international obligations. It is therefore all the more deplorable that offensive statements of the kind should continue to be made by the Association after the very illuminating statement made by the Government of India on the subject, contained in their vigorous reply No. 341-T (9), dated Delhi, 26th March 1926 (pages *iii* to *v*). Further comment is hardly necessary as Government's reply emphatically states that the Bombay Millowners have no basis at all for the case that they have sought to make out against Japan for her non-ratification of the non-employment of female and child labour at night and the Hours Conventions; but let it be noted that India's ratification of these Conventions was neither a new departure in labour legislation nor did it alter the position in the least for the mill industry of Bombay, as it is now attempted by the Association to make out, because the Factories Act of 1911 had already prohibited the night employment of women and males under 14 while the Millowners had reduced the hours of work from 12 to 10 of their own accord before the Convention was ratified by the Government. Thus, while India can claim no credit for nominally ratifying these Conventions, the provisions of which had long since obtained in practice under the Factories Act, due credit must be given to Japan for her earnest efforts to "toe the line" as quickly as her peculiar domestic conditions permit; for, it may be pointed out that although Japan has not ratified the Hours Convention, through the

* As a matter of fact, Bombay mills tried it and failed owing to the scarcity of labour.

good offices of the Japanese Cotton Mill Federation, a " Gentlemen's Agreement " has been arrived at whereby all its members, comprising most of the cotton mills of the country, have adopted 10 hours as the maximum day's work for their employees and a complete stoppage of operations at least 4 days and nights per month. There are a few mills who do not observe these regulations but they are outside the control of the Federation and moreover their goods do not find their way to India. Thus there is no actual difference in practice between the hours of work in Indian and Japanese mills.

As regards double shift and night employment of women the system has been brought about in Japan as a sheer necessity. There are various contributory reasons. In the first place, as strikingly disclosed in the Report of the U. S. A. Tariff Commission (1921) the cost of erecting and equipping mills in Great Britain is 32 dollars per spindle, in America 40, and in Japan 60. The report goes on to say " The amount of investment required per spindle operated has therefore been relatively mu h higher in Japan than in the U. S. A..... In order to overcome this handicap every effort has been made to obtain the largest possible output from the expensive plant and equipment. This is strikingly evinced by the fact that the Japanese spinning mills have been operated night and day ". Another reason is provided by Japan's population problem which bears a distinct parallel to pre-war Germany, with this difference that whereas the doors of all countries were open to the German emigrant, they are now shut to the Japanese who must remain at home and either work or starve ; and if there is not sufficient work to go round during the day, then they must toil at night. This fact is vigorously stated in a very able article contributed to the " Far Eastern Review " by George Bronson Rea. He says " The internal pressure in Japan is yearly growing greater. An outlet must be found, as even by working day and night and creating new industries up to the limit of their financial resources, the capitalist of Japan can only partially relieve the situation. "

Moreover, Japan has to consider the after-effects of hasty labour legislation with special reference to China where mills are springing up like mushrooms and where labour is exceedingly cheap and no international labour obligations of any kind exist. With such a formidable competitor in her close neighbourhood, Japan cannot be expected to make radical changes all at a stroke. Suffice it to say that she is making sure and steady progress, towards the attainment of the goal fixed by international labour standards, as is abundantly evidenced by the enforcement of the revised Factory Act* on and after the 1st July 1926 by an Imperial Ordinance as a consequence of which Japanese cotton mills will be prohibited from working at night after the 30th June 1929. India's ratification of the Conventions was merely a nominal act as already pointed out above. It involved no sacrifice, no disturbance in production, organisation or employment. It is therefore no mean achievement for a country like Japan, beset with special handicaps and acute problems of her own, to have made such rapid progress towards the fulfilment of the Conventions adopted at Washington.

It has been pointed out before that double shift employment and night work by females are a sheer necessity at present in view of the pressing population problem. Females are employed instead of males not because of cheaper wages (as is popularly believed) but because male labour is unavailable, being employed in other industries. The Bombay Millowners will not recognise this because their objection to female employment at night does not appear to be based so much on humanitarian as on business considerations. They appear to think that the double shift system is possible in Japan simply on account of cheap female labour and that is why they are anxious to see the end of employment of females at night. Now let us examine what advantage, if any, Japan derives from double-shift and cheap female labour. In the first place, double-shift is confined to the spinning section only of the mills (those controlled by the Federation). Secondly, night efficiency is about 12 to 15 per cent. lower than day efficiency. Thirdly, wastage is considerably greater. Fourthly, as regards the scale of wages which the Bombay Millowners consider very low, we may reply in the words of Mr. Mayeda, Chief of the Japanese Delegation to the International Labour Office, " Comparing on the same basis and in the same months of the year, the wages of the Japanese spinning operatives, as recorded in the official enquiry of the Labour Office of the Government of Bombay are at least 60 per cent. higher than those paid to the Indian operatives. And if the wages of the female operatives only are considered, the Japanese wages are more than double the Indian. Generally speaking, the wages in Japan have more than trebled while the prices of daily needs have doubled during the last 10 years ". As a matter of fact, whereas labour wages in Bombay are

* The Japanese Government has already enforced not only the Revised Factory Act (which included provisions for workmen's compensation), but also the Labour Disputes Arbitration Act and the Health Insurance Act since July this year.

only 100 per cent. higher than in 1910, in Japan the wages of female spinners have increased 383 per cent. since 1914 and the wages of male labour in the spinning department have increased 316 per cent. In the light of these figures the statements made in paragraph 129 of the Association's representation are questionable. The saving of 5 per cent. believed to result from double shift working is very doubtful indeed. Mention is also made of reduction in interest charges, but here again the percentage of saving that would accure in an Indian mill cannot be obtained in a Japanese mill, for whereas the Bank Rate in India is 4 per cent., it is as high as 7·3 per cent. in Japan since April 1925; and again owing to the necessity of keeping cotton stocks for 3 months and the necessity of stocking almost double the quantity of stores (on account of double shift) interest charges on cotton and stores run so high that savings under this head would not be anything so big, as suggested in paragraph 129 if any at all. Let the economic effect of double shift operation be as it may, Japan is committed by legislation to prohibit night work for women and minors within three years from now, which is by no means a long time; and the slight advantage, if any, enjoyed by Japan by working double shift should be more than offset by the price of raw material (at the very door) and the unequalled facility in marketing their manufactures enjoyed by the Indian mills.

Subsidised freight.—Throughout their Memorandum the Bombay Millowners' Association have been pleased to refer to Government subsidies and bounty-fed freights; but nothing could be further from the truth than the suggestion that the Indo-Japanese service is in any way subsidised or that a bounty of any kind or description is granted by the Government to the steamship companies. In this connection the Board is referred to the article "Rebate of freight on Indian Cotton", pp. 2 to 5 of the "Statement concerning the Indian misunderstanding of the Japanese Cotton Industry" (five copies of which are herewith submitted) as also to pp. 21—23 of the same pamphlet issued by the Japan Cotton Spinners' Association. It is an authoritative repudiation of a fiction which has been so persistently set up before the gullible public for consumption that it has almost passed for a half-truth.

Burden of taxation.—The Bombay Mill-owners' Association have a woeful tale to narrate on this head; but it may be safely said that now the Excise Duty is abolished, the sum total of the other taxes will be much smaller than the tax burden borne by the Japanese spinners.

The nature and extent of Japanese competition.—The Bombay Millowners' Association have been at great pains to shew that the present depression is due to Japanese competition in the Indian market and in the export markets which the Indian mills used to enjoy. Now, it is true that Japanese goods compete with Indian goods in such export markets as Africa and the Levant (being subject to the same Import Duties there). This competition is exclusively in the class of goods known as sheetings (or domestics) and made of course yarn but there is no competition worth the name in the home market as what with the 11 per cent. import duty and the abolition of the Excise Duty sheetings have been completely expelled from the home market, whereas imports of drills and heavy longcloths (12 lbs. qualities)—the only other coarse grade Japanese cloths consumed in India—have shrunk by almost 50 per cent. since the abolition of the Excise Duty and they promise to share the same fate as sheeting very soon. There remains, therefore, only one other class of Japanese goods consumed in India, namely, shirtings, and these being made from fine counts yarn of 40's and thereabouts, do not compete so much with Indian production, the great bulk of which is of 24's and under, as with foreign goods imported from other countries—to the benefit of the consumer. Hence, the competitionon at home is infinitesimal. The same holds true of the yarn imports also, the competition being almost next to nothing. Ever since the imposition of 5 per cent. import duty yarn imports below 30's have shrunk to infinitesimal dimensions—being about 1 per cent. of the Indian consumption of yarn. The bulk of the imports are of 40's and upwards, but the Indian production of yarn above 30's being only 3½ per cent. of the whole production, it will be obvious that Japanese yarns compete not so much with Indian as with other foreign yarns to the great advantage of the consumer. Any bazaar merchant will corroborate the truth of these statements.

Paragraph 21 of the Questionnaire estimates that 70 per cent. of the imports of piece-goods from Japan compete directly with the production of Indian mills. If the imports of Sheetings into Africa, Arabia, Egypt and the Levant are included in this estimate, then, certainly, 70 per cent. is a fairly correct figure, but if by "the imports of piece goods from Japan" is meant the quantity left over for consumption within India itself after deducting the re-exports, then 70 per cent. is an absurdly high figure for the reasons given above.

The whole problem of the quality and quantity of Indian production and the nature and extent of foreign competition was admirably summed up by Mr. B. J. Padshah (of Messrs. Tata Sons, Ltd.), in a valuable contribution to the Press at the time of the last

big strike in the Bombay mills over the question of the reduction of wages. We quote the following passages from it as supporting and illuminating our contentions.

" The net imports of foreign yarn in 1924-25 were 55 million pounds against Indian production of 719 million pounds of which 36 million were exported ; the nett consumption of Yarn in India was 738 million pounds for the conversion of cloth. At the rate of 4 yards to a pound and 7 pounds of yarn to 8 pounds of cloth, this yarn was converted into 3,374 million yards of cloth, of which 1,970 million yards was manufactured in cotton mills, and 1,400 million yards on hand-looms. The import of cloth was 1,770 million yards, or 60 per cent. of what it was 15 years ago, and only 52 per cent. of the present Indian production. There was an export of 180 million yards and therefore the Indian consumption stood at 4,964 million yards, larger by 25 per cent, than 15 years ago. Of the 719 million pounds of yarn produced by mills, only 25 million or 3½ per cent. were above 30's ; of the 55 million pounds of yarn imported 47 million, or 85 per cent. were above 30's and 8 million were below 30's. Thus imported yarn below 30's was just 1 per cent. of the Indian consumption of yarn. There were thus 72 (=47 *plus* 25) million pounds of yarn above 30's converted into 329 million yards of cloth. Indian manufactured cloth from coarser counts was thus a trifle above 3,000 million yards. The whole foreign imports of cloth under 30's is apparently much under 180 million yards (or 5 per cent. of Indian production) and is balanced by Indian export of cloth to the extent of 180 million yards. The Indian production of finer cloth is 10 per cent. of the whole Indian production and competes against 1,600 million yards of finer cloth imported, or five times the Indian production of fine cloth. But 25 years ago Indian mills scored fine cotton, fine yarn and fine cloth, because the coarser articles paid ever so much better.

Therefore, are foreigners butting in into the Indians' market or Indians butting in into the foreigners ' markets ? The reduction of foreign imports from 2,800 million yards 15 years ago to only 1,770 million now would seem to point to the latter alternative.

Indian consumption of cloth then has grown 25 per cent. and Indian production in mills has nearly doubled in these 15 years ; and foreign imports of cloth as a whole diminished by 40 per cent. The whole Japanese import of cloth into India is 155 million yards, or under 5 per cent. of Indian manufacture, and chiefly felt to grow in one special class of goods in which India does not particularly compete and where, even so, Indian manufacture exceeds Japanese imports. Enormous advantages are assigned to Japan for competition in the Indian markets ; never did so much bolstering up produce so little result. Are the advantages as real as they look plausible ? Is Japan doing a disservice to our country offering finer and cheaper yarn for Indian looms to work up ? Are foreigners doing this service to be penalised for the protection of Indian incompetence ? "

The following statistics which are compiled from the annual statement of the Sea-Borne Trade of British India, 1924, and the report of the Bombay Millowners' Association, 1924, reveal at a glance the insignificance of the imports from Japan :—

Cotton Piece-Goods.

(Imports from Great Britain and Japan, and Production in India).

	Japan.	Percentage to Total.	Great Britain (Unit 1,000 yards).	Percentage to Total.	Indian Production.	Percentage to Total.	Total.
1919-1920	75,953	2·8	976,127	36·3	1,639,779	60·9	2,691,859
1920-1921	170,339	5·6	1,291,763	42·4	1,580,849	52·0	3,042,951
1921-1922	90,275	3·3	955,099	34·4	1,731,573	62·3	2,776,947
1922-1923	107,778	3·3	1,453,408	44·2	1,725,284	52·5	3,286,470
1923-1924	122,666	3·9	1,318,804	42·0	1,700,397	54·1	3,141,867
Average	....	3·8	....	39·9	....	56·3	....

Cotton Yarn.

(Imports from Great Britain and Japan, and Production in India).

	Japan.	Percentage to Total.	Great Britain (Unit 1,000 yards).	Percentage to Total.	Indian Production.	Percentage to Total.	Total.
1919-1920	1,917	0·3	12,229	1·9	635,760	97·8	649,906
1920-1921	20,122	2·9	23,395	3·3	660,002	93·8	703,519
1921-1922	14,915	2·0	40,074	5·3	693,571	92·7	748,560
1922-1923	26,546	3·5	31,018	4·1	705,893	92·4	763,457
1923-1924	20,430	3·1	21,789	3·4	608,627	93·0	650,846
Average	....	2·4	....	3·6	....	94·0	....

As however the Bombay Mill-owners are not in a position to deny that Japanese imports form a very small percentage of the Indian production they have resorted to an argument that is as unconvincing as it is ingenious. They allege that although Japanese imports are insignificant in quantity the goods are sold at such low prices that the whole of the Indian textile industry is forced to sell at unremunerative rates. Now Japanese imports comprise only sheetings, drills and shirtings whereas Indian production consists of a hundred different sorts of goods. Also more than 50 per cent. of the Indian production is made up of dyed, coloured and bleached goods which are in no way affected by Japanese Imports as the corresponding styles are not produced in Japan at all. As regards the balance of 50 per cent. of grey goods these also vary immensely both in sorts and dimensions* and barely 20 per cent. of the Indian production comes into direct competition with Japanese imports. Hence, we can only treat the novel argument of the Bombay Mill-owners as an insult to the intelligence of the public. It may be incidentally mentioned here that Lancashire grey shirtings have been sold at lower rates than Japanese cloths, especially since the last 8 months or so, and the Association might as well raise the same argument against Lancashire too.

The sale price of Indian cloth is not determined by Japanese prices as the Association endeavours to make out as the same are invariably higher than Indian prices; as a matter of fact they are determined altogether by internal competition, often of a very unhealthy nature (due to a lack of scientific organisation and co-operation among the Mill-owners themselves) and, not infrequently, by the stress of financial difficulties. It is common knowledge, for example, that throughout the year the financial difficulties of the managing agents of a very well-known group of mills oblige them to make forced sales from time to time. The ruinous effect of such sales on the general level of prices can be better imagined than described and even the best-managed concernshave been hard-hit as a consequence. Normally however, the prices of standard qualities are fixed from time to time by the sale prices of the most popular mills. Let us suppose that these first-class and well-managed mills sell grey shirtings at Re. 1 per lb earning thereby a profit of Anna 1 per lb. This sale at once determines the maximum price realisable by the best mills. And should the second-class and third-class mills attempt sales at the same time they generally realise half to one anna per lb less than the first-class concerns even though the quality is the same. Now, if we remember that the cost of production between first-class and other mills varies from half to one anna per lb. it will be apparent that whenever the first-class concerns earn one anna per lb. the other concerns will, at best, either make no profit at all or even lose one anna per lb.; and it is a frequent complaint with the second-class and third-class mills that the first-class concerns are selling down. Then again, when stocks begin to accumulate in the absence of demand those concerns which are not financially very strong and cannot afford to hold out until demand conditions improve are obliged to force sales at any price and throat-cutting competition sets in amongst these weaker mills. These remarks apply largely to the Bombay mills which are also suffering rather from up-country mills competition than from Japanese competition. Apart from the advantages which up-country mills (including those in the Native States) enjoy in respect of having the raw material and finished products markets at their very door, they command the advantage of cheaper labour and cheaper and more efficient management—two items which tell very heavily in the case of Bombay mills. The Board will have ample opportunities of contrasting the administrative machinery of Bombay concerns with that of up-country mills as also with the system prevailing in the leading manufacturing countries of the world. We shall therefore refrain from developing this very delicate, but none the less most important, theme.

Let us now glance at the Table on page 12 of the Association's representation. The Association have given the loss figures for 1923 to 1925 but the bumper profits made in the five years 1918—1922 are not disclosed. If the Bombay mills had been a little more cautious in the years of excessive prosperity and had carried forward to their reserve funds a portion of the large sums that were absolutely frittered away in distributing excessively lavish dividends and in the untimely and ill-advised extension and equipment of expensive machinery and plants—which latter have proved ruinous to even some of the once-flourishing concerns—the Bombay mill industry would not have found itself in the present predicament. Cycles of depression follow cycles of prosperity; and if the industry had made the necessary provision for the evil day it would have adjusted itself very soon to the changed conditions after the boom was over. The Bombay Mill-owners,

*It should be noted that Japanese imports are confined to dimensions of 36", 38" and 44" width only whereas Indian mills produce goods of dimensions ranging from almost 18" to 108".

however, were unfortunately caught napping and were completel over-whelmed by the sudden tidal wave of depression. Adjustment has therefore taken them longer time than in other countries and they have unfortunately had to pay dearly for their recklessness during the boom years, but signs are not wanting to show that they have now definitely emerged from the war-time orgies, and, what with the determined efforts now reported to be made to effect improvements and economies in all directions a distinctly bright and promising future is ahead of them. The results of this adjustment, as also of the abolition of the Excise Duty, will begin to tell more effectively after a year or two; and it is our humble opinion that the present inquiry could have been well-deferred for a couple of years because we confidently believe that the Indian mill industry will begin to look up as soon as the mill-owners of the country put their houses in order. We earnestly hope, therefore, that the worthy Members of the Board will arrive at a solution of the problem that will be as just and equitable to Indian as to importing interests, especially Japanese, against whom such a hue and cry has been raised without rhyme or reason. We are humbly of opinion that a study of the facts and figures would make it highly improbable, if not, impossible, for the Board to come to any unfavourable conclusion about "Japanese Competition" and, therefore, with supreme faith and confidence in their sense of justice and equity, we commend this brief, incomplete and imperfect statement to their most sympathetic consideration.

Further Statement dated the 30th October 1926

I consider it a privilege to be allowed the opportunity of a final reply and I deem it my first duty to express my warm gratitude to the Board for this courtesy. A close study of the evidence tendered before the Board leads me to believe that the millowners have failed to substantiate their case and, therefore, there remains very little to be said on the subject. There is one aspect, however, of the mill-owners' evidence which deserves particular notice and that is the amazing inconsistency displayed from end to end. This inconsistency is strikingly demonstrated in their general attitude towards the whole subject. In one of a recent series of Press articles by the Bombay Millowners' Association, the Cotton Excise Duty was proclaimed as politically, economically and above all, morally indefensible. Said they " At the bidding of Lancashire the peasant of India has had to pay more for his clothing for many years because, although it is made in his own country, it is subject to an Excise Duty. The better classes, who wear Lancashire products, have gained the benefit because the import duties have been unduly low." The millowners here reveal grave concern for the down-trodden ryots who are compelled to pay a high price for their coarse cloth so that the wealthy class may be able to buy fine Lancashire cloth at a cheap price. This grievous wrong to the poor and this scandalous iniquity was intolerable and they set about to redress this historic wrong. To their great and lasting credit they succeeded in getting the Excise Duty abolished. It is sad to reflect, however, that the bright side of the picture ends here ; for what do the millowners propose to do now ? Having righted a wrong, they are bent upon perpetrating a greater wrong as is evidenced in their reply to the Board's special question No. 1. They say :—" The Association considers that a heavy duty should be levied on coarse goods and lower counts of yarn, a moderate duty on medium classes of goods and a low rate of duty on higher counts. " Well may the under-fed and under-clothed ryot say " Save us from our erst-while champions".

I have no desire to dwell on other glaring inconsistencies ; nor do I propose to take notice of the many ungenerous remarks made against my country ; much less have I any desire to retaliate by holding up to ridicule various aspects of mill-management in India. Enough has been said on the subject and far be it from my purpose to enlarge upon it. The cause of the Association which I have the honour to represent rests not upon the vilification of its opponents, but upon the solid foundation of Truth ; and having the profoundest confidence in the Board's sense of justice I cannot do better than to entrust my case to their care, contenting myself merely with a short statement of facts and figures regarding the nature and extent of Japanese competition and a few general remarks by way of criticism and suggestion. Part I deals with the former, and Part II with the latter.

PART I

1. A glance at Table I will reveal that out of a total Indian mill production of 1,930,000,000 yards (1924-1925), coloured goods (marked A) comprise 30 per cent. and grey and bleached goods (marked B) 70 per cent. It is unfortunate that separate figures for grey and bleached are not available—but probably the production of bleached goods does not exceed 20 per cent.

2. In coloured goods, the range of competition between Indian production and foreign imports is not very extensive. In any case, the competition from Japan is *nil* and from the United Kingdom there is not very much. There is, however, increased competition in coloured goods from Continental countries like Italy, Belgium, Holland, etc.

3. Let us now examine the extent of competition in bleached goods between local production and imported goods. Here also Japanese competition is practically absent so that in bleached and coloured goods (which form about 50 per cent. of Indian production) there is no competition from this country. As regards competition between local goods and imports of bleached shirtings and dhoties from United Kingdom we trust the Board will have means of determining the extent of it.

4. Passing on to grey goods it is obvious from the table that there is somewhat more competition in this class. Indian grey production may be classified into seven groups : C, D, E, F, G, H, I, and we shall examine each separately.

(C) *Khaddar* : which represents about 4½ per cent. of the total Indian production is largely made from 10s and under. There is no competition in this cloth from any foreign country but there is internal competition between the mills and the hand-loom industry, to the grave detriment of the latter.

(D) *Drills and Jeans* : (4 per cent.) These are made of 16s and under and imports from Japan for 1924-25 are about 22 per cent. of the Indian production of drills.

There are, principally, two qualities imported from Japan—(1) "Two Swans" and (2) "Elephant" Brand. Their dimensions, weight and market prices are as under :—

(1) 29″ × 40 yards × 13¼ lbs. @ Rs. 12-12-0 per piece duty paid.
(2) 29″ × 40 yards × 14 lbs. @ Rs. 14-14-0 do. do.

Similar qualities of drills are being sold by the Indian mills at 12 and 13 annas per lb. respectively. It may be added that imports of Japanese drills have gradually diminished since 1925 and there has been a further marked falling off since the repeal of the Excise Duty. (Evidence is furnished by figures of imports during January/July 1926 as shown in Table II.)

(*E*) *T. Cloths, Domestics and Sheetings.*—(About 4 per cent.) These goods are largely made from 16s and under, and here again Japanese imports are nearly 34½ million yards or nearly 44 per cent. of Indian production. Three styles of sheetings are imported from Japan, *viz* :—

36″ × 30 yards × 10 lbs.
36″ × 40 yards × 13½ lbs.
36″ × 40 yards × 16 to 17 lbs.

The last two styles are consumed almost entirely in India, but they form only one-fifth of the imports : four-fifths of the imports are of the 10 lbs. variety and a major portion of this is re-exported to Persian Gulf, Mesopotamia, East Africa and various other markets. (Japan has started direct service from Kobe to Mombassa only recently). It may be added that as in the case of drills, imports of sheetings have fallen off very considerably since the last year or so and more especially after the repeal of the Excise Duty. (*vide* Table II). Japanese sheetings are imported to-day (into Bombay) almost wholly for re-exports to such ports as are not served direct by Japanese Steamship Companies. Internal consumption has fallen off almost completely (even in the heavy weight varieties) as prices do not compare favourably with Indian production. Bombay mills are now selling at 11½ to 12 annas per lb. whereas prices for Japanese qualities are as under ;—

Dragon C or 9 Dragons 36″ × 30 yards × 10 lbs., Rs. 8-8 without duty.

"Locomotive" No. 6000 36″ × 40 yards × 16 lbs. Rs. 15-10-0 with duty.

"Sunface" AAA 36″ × 40 yards × 17 lbs., Rs. 19 with duty (per piece).

It will be observed that 11 per cent. import duty is an effective barrier not only against the heavy variety but even against the 10 lbs. qualities in which competition is alleged to be very severe. Japan, therefore, cannot compete with India in sheetings in the home market but she is better able to compete in the export trade as India and Japan are subjected to the same duties in foreign markets. (Incidentally it may be mentioned that imports of such popular qualities as "Locomotive" No. 6000 have fallen off from 2,500 bales a year to under 200 bales during the current year. The same is the case with the 13½ and 17 lbs. varieties. Figures could be easily had from the Customs in support of this statement). We take it, therefore, that the Board will be sufficiently convinced that there cannot possibly be any competition in sheetings in the home market. As regards Japanese competition in the export markets the Millowners' Association do not appear to know their own mind as is evidenced by their self-contradictory statements. In one place they lay great emphasis on the point that Japan has ousted Indian trade from East Africa. In another place they attribute it to entirely different factors. We reproduce their own words : "During that particular year (1922) they made the rupee a florin in East Africa.....that was the cause which ruined Indian trade there." And again "About that time specific duties were imposed which specially penalised Indian goods and favourably treated English goods. It considerably handicapped us". Further comment is needless. But there is one very important fact which we are anxious to bring to light. Japanese export trade in sheetings to Arabia and Africa has been also showing a considerable decline recently and manufacturers in Japan are growing very anxious indeed. American competition (and Belgium and Austrian competition to a smaller extent) is growing in intensity and severity and Japanese sheetings are suffering a serious set-back in the Arabian and East African markets. With the huge American cotton crop this year the competition from this country is sure to increase and the prospects of Japanese export trade in sheetings are none too rosy. Italy has raised a traiff wall against foreign goods imported into her African territory and Japanese sheetings like other foreign goods have been shut out there. The imposition of specific duties as also the conversion of the rupee into florin in East Africa have also hit Japan quite as badly as Indian mills. In support of the above statements we beg to refer the Board to the Report on the Trade and Commerce of East Africa (upto September 1925) by Mr. C. Kemp, Deputy Trade Commissioner. We shall here reproduce only one paragraph. "In

the unbleached trade note should be taken of the decreased share of Japan, mainly owing to the appreciation of the rupee exchange at a time when the pound sterling was approaching parity with the dollar, and so furnishing an opportunity of increased imports from the United States of America, but also in some small measure due to a change in fashion and an increased demand for lighter weights."

(F) There is no foreign competition in this group.

(G) There is no foreign competition in this group.

(H) There is no competition at all from Japan in dhoties.

As a matter of fact Japanese mills have no machinery for Dobby borders. A glance at Table I will show that dhoties are imported from the United Kingdom in enormous quantities, the imports of grey dhoties alone being considerably more than four times the total imports of Japanese grey, bleached and coloured goods taken together. It is not for us, but for the Board to determine, to what extent, if any, they compete with Indian production.

(*1*) *Shirtings and Long cloths.*—(27_ per cent.) More than three-fourths of the Indian production consist of 24s and under, the remainder being made up chiefly of 24s to 30s. The great bulk of the imports from Japan are of 40s and upwards. So far as competition with Indian goods is concerned, hardly 10 per cent. of Japanese shirtings come into direct conflict. And these are all of one style, *viz.* 36″ × 40 yards × 12 lbs. They are made up of 22s or 24s warp and weft; but Japan is rapidly losing ground to Indian mills in this class as in other coarser grades and we believe that within six months Japanese 12 lbs. long-cloths will practically cease to be imported. Market prices of a few qualities are given below:—

36″ × 40 yards × 12 lbs. long-cloths.

"Standard-Bearer" No. 1000	Rs. 14-12	per piece	with duty.
"No. 7070"	,, 14-14-0	do.	do.
"Lion AAAA"	,, 14-12-0	do.	do.
"Asahi"	,, 14-4-0	do.	do.
"Snipe" (or Two Birds)	,, 14-8-0	do.	do.
"Elephant and Fish" No. 2500	,, 15-0-0	do.	do.

Local mills are selling similar qualities at Rs. 12 per piece.

The following are some of the most popular Japanese shirtings in the market to-day and market prices are given against each:

No.	Inches	Yds.	Lbs.	Warp	Weft	Reeds	Picks.	Price per piece with duty
								Rs. as.
3800 ..	44	38	10½	30	36	73	70	15 10
2100 ..	44	38	7½	42	46	73	72	13 6
6600 ..	44	38	6·18	40	46	64	50	10 14
8900 ..	44	38	..	40	44	64	64	12 6
99000 ..	44	38	8·	40	40	69	68	13 4
5544 ..	44	38	6½	40	46	64	50	10 14
403 ..	44	38	7·8	42	46	6·	66	12 6
4500 ..	44	38	10·	30	36	73	70	15 4
44000 ..	44	38	6½	40	44	63	49	11 0
8181 ..	44	38	8·	40	40	69	68	13 0
4141 ..	44	38	6·18	40	46	64	50	10 14
Two Birds ..	44	46	9¾	40	40	69	68	15 4
Bow and Arrow ..	44	46	9¾	42	45	71	71	15 10
9000 ..	38	38	7⅓	30	36	61	34	11
800 ..	38	38	5¾	40	40	63	49	9 6
600 ..	38	38	5·	40	46	64	50	9 2
501 ..	30	120	14·	40	46	64	50	23 0

The above qualities do not compete with Indian production. Indian mills do not weave anything at all similar to these qualities. The mill-owners themselves have repeatedly admitted in their oral evidence that they cannot produce above 30s or at most 34s as they have not got suitable cotton in India. They have also volunteered the statement that as a rule India has done far better by producing coarser than fine cloth.

N.B.—The " market prices " quoted throughout this statement are not to-day's ruling rates but those ruling in August. This is done so as to make the prices correspond with the market prices of Japanese and Indian goods quoted by the Millowners' Association in Appendix I, page 34 of their answers to the Boards' questionnaire. It could not have served the purpose of comparison to have given to-day's prices as American cotton has declined about 6 cents per lb. since August last and therefore prices of Japanese and Indian goods must vary considerably at to-day's cotton prices. We should also like to add here that the Japanese prices in the bazaar of AAAA and " Asahi " quoted by the mill-owners as Rs. 13 are entirely wrong and misleading. The correct prices should be Rs. 14-12 and Rs. 14-4 respectively. We cannot ascertain what quality is referred to under the designation " Toyo " and we therefore cannot say anything about its market price. Other inaccuracies are not so glaring and therefore we shall not dwell upon them.

Yarn.—We need hardly say anything about the competition between Indian and Japanese yarn. There is practically none as imports of counts upto 30s have almost ceased. India's production of the finer counts is too small and is absorbed by the mills themselves. The imports of fine counts are primarily for the hand-loom industry and secondarily for those mills who run weaving sheds only. A higher import duty would only make yarn dearer for them and put a serious disability upon a class whose interests ought not to be sacrificed. On the other hand we would request the Board to consider the desirability of restricting the present duty on yarn upto 32 counts or 40 counts at the most.

TABLE I

All-India Cotton Piece-goods Production for 1924-25, about 1,930,000,000 yards

A Coloured Piece-goods about 588,000,000 yds., *i.e.*, 30 per cent.						B Grey and Bleached Piece-goods about 1,342,000,000, *i.e.*, 70 per cent.	
	C	D	E	F	G	H	I
These figures are taken from the Bombay Mill-owners' Association's Statement.	Khadar 87,153,000 yards, *i. e.*, about 4½ per cent.	Drills and Jeans 77,191,000 yards about 4 per cent.	T. Cloths Domestics and Sheetings 77,742,000 yards about 4 per cent.	Printers Tent Cloths and other sorts 89,346,000 yards about 4½ per cent.	Chadars 61,614,000 yards about 3 per cent.	Dhoties, Sarees, etc., 458,404,000 yards about 23 per cent.	Shirtings and Long-cloths 525,524,000 yards about 27 per cent.
FOREIGN IMPORTS of the same class of good (the figures are taken from the Sea Borne Trade of British India, 1925).	Japan (Grey) *Nil*	14,458,560	34,444,325	*Nil*	*Nil*	723,522	59,865,155
	,, (Bleached) *Nil*	2,753,097	8,000	*Nil*	*Nil*	*Nil*	1,488,121
	U. K. (Grey) *Nil*	359,241	479,565	*Nil*	35,228	489,136,238	146,061,437
	,, (Bleached) *Nil*	3,560,854	100,191	*Nil*	712,808	68,865,886	116,000,000

TABLE II

Imports of Japanese Drills and Sheetings in the Presidency of Bombay Excluding Sind

Cotton Piece-goods	1925-26 April to March		1926 January		1926 February		1926 March	
GREYS	Yards	Rs.	Yards	Rs.	Yards	Rs.	Yards	Rs.
Drills and Jeans								
Japan ..	10,261,000	36,63,474	1,576,000	5,29,730	570,200	1,88,738	724,200	3,15,271
Sheetings								
Japan ..	20,180,990	66,79,222	1,364,400	4,20,859	1,263,400	3,88,719	1,226,000	3,80,261

Cotton Piece-goods	1926 April		1926 May		1926 June		1926 July	
GREYS	Yards	Rs.	Yards	Rs.	Yards	Rs.	Yards	Rs.
Drills and Jeans								
Japan ..	700,800	2,41,686	451,400	1,57,356	160,000	53,502	109,200	53,171
Sheetings								
Japan ..	1,253,100	4,09,907	660,500	2,07,664	403,000	1,15 567	1,103,700	3,18,496

PART II

1. The evidence tendered before the Board has brought out two important points very clearly, *viz.*, (1) Despite the acute depression in the cotton industry, mainly owing to the operation of world factors, the cotton mills in India, with the exception of Bombay, are faring quite as well or perhaps better than in the pre-war days and (2) even Bombay mills which conserved their resources during the boom period and built up good reserve funds are showing a fair margin of profit to-day. As the future of the upcountry mills is quite an assured one we shall confine our remarks mainly to the Bombay mills. The average dividend paid out during the boom was 65 per cent. and if the mills in Bombay had limited it to 50 per cent. the whole of the industry would have been in decidedly a better position now. All the flourishing cotton mills in Japan owe their prosperity to-day to the handsome reserve funds built up by them and we trust it is not uncharitable to remark that the policy adopted by the Bombay mills of paying high dividends during the boom was indiscreet. It is only the prodigals who are reaping to-oday what they sowed in the past; and living, as we are, in an age of survival of the fittest the Indian cotton industry as a whole would gain if the chronic weaklings were weeded out. Concerns which are feeble, financially or otherwise, are a source of weakness and constant danger to the industry as a whole and we trust that the Board has been fully enlightened as to the actual reasons that led to the liquidation, closing down or changing hands of the several mills mentioned by the Millowners' Association in their reply to Question 12. It is also a great pity that every individual mill was not called upon to submit its balance sheet. That would have thrown a powerful searchlight and would have enabled the Board to judge matters more accurately.

2. Whatever the future may have in store for the industry and whether the Board recommends protection or not it is our humble conviction that the future of Bombay mills is precarious. The danger does not lie in "Japanese competition"—assuming that phantom to exist—but in the competition from upcountry mills and especially mills situated in the Native States which, apart from enjoying freedom in the matter of International labour regulations, are protected against British India mills production by special duties. Upcountry mills now possess 60 per cent. and 54 per cent. respectively of the spindles and looms in India, and reveal a growth of nearly 8 per cent. in spindles, looms and the consumption of cotton, in recent years. All these mills are slowly but steadily cutting into markets which were formerly Bombay's special preserves and it is very regrettable that Bombay millowners should ignore this solemn fact in their frenzy against

the bogey of "Japanese Competition" which they have conjured up. A dip into the past history of Bombay mills will show that for the exceptional boom period during the war and the wave of "Swadeshism" that followed it, they owed their prosperity to their export trade—chiefly to their yarn trade with China. That trade has been lost to her owing to the erection of about sixty mills in Shanghai. During the interval a large number of mills were erected upcountry with the result that Bombay found herself in the difficult position of not only having to absorb all that vast quantity of surplus yarn in the production of cloth but she also had to market that greatly increased production in a sphere that had been considerably narrowed down by the activities of the upcountry mills. A little adjustment is all that is required and that adjustment must be found in the discovery of suitable outlets for Bombay's production.

3. There is hardly any need to enlarge upon the causes that have led to the present depression, namely,

(1) The self-imposed disabilities resulting from the over-capitalisation and under-capitalisation of mills, affecting 8 lakhs spindles and 15,000 looms in Bombay alone.

(2) The reduction of the consuming capacity of the ryot inasmuch as the latter cannot exchange the product of his labour for the same quantity of manufactured goods as formerly.

(3) Curtailment of credit among all the middle-men from the manufacturer to the consumer; factors 2 and 3 together with the (4) lack of confidence among buyers on account of the continuous decline in the price of American cotton have resulted in (5) the mills having to bear the whole burden of carrying the stocks—a burden which is sufficient to sap the strength and strain the financial resources of the average mill in Bombay and which makes (6) the public and the banks unwilling to lend them money.

4. There is no need to dwell upon the vexed question of exchange. Suffice it to say that the rate to-day is Rs. 135 for Yen 100—so that, as the mill-owners put it, the gain to Japan from depreciated currency is less than 6 per cent. as against 12½ per cent. or more to other foreign countries.

5. A word or two about double shift. Night work for women and children will cease from the middle of 1929. Assuming, as the mill-owners put it, that Japan will continue to work 2 shifts, but of eight hours each, the labour union movement is gathering such strength in Japan that mill-hands will never consent to a proportionate reduction of wages for shorter hours. And if the mills are to give 10 hours' wages for 8 hours' work the cost of production will be very materially increased. Hence Japanese mill-owners are extremely sceptical about the continuance of double shift after June 1929.

6. Now we shall pass on to the vexed question of protection. Two methods have been suggested (1) specific duties, (2) increase of import duties. The first has been rightly condemned by the whole trade as certain to prove inequitable and mischievous. They will tend "to do a great wrong, to do a little right"; and the Bombay millowners themselves have complained of its gross inequity in East Africa. As regards any increase in import duties it cannot be condemned too severely. There is one point of overwhelming importance which seems to obtain scant attention. It will be admitted that the bane of the present situation is high prices and therefore a constant accumulation of stocks (due to causes enumerated in the preceding paragraph) which sap the financial resources of the mills. Now, an increase in import duties will be inevitably followed by higher prices and this in turn will restrict consumption. Hence any measure that tends to curtail consumption instead of stimulating it must be dismissed as suicidal. Surely there are other ways and means of meeting the situation. The mill-owners urge that 13 per cent. additional import duty will raise prices by about 6½ per cent. and the additional burden on the consumer will work out at one anna per head for about 80 per cent. of the population or a total burden of 2½ crores rupees. Far from rendering help, specific duties and higher import duties will defeat their own purpose. The sovereign remedy is to make the cloth as cheap as possible and bring it more and more within the reach of the consumer. This can only be done by reducing the cost of production. But is it possible to reduce this cost by ¾ to 1 anna per lb. ? The mill-owners choose to be sceptical, but we are absolutely confident (and we are equally sure that the Board shares our confidence) that it can be done and it will have to be done if the industry is to be saved. It may be difficult but where there is a will there is away.

7. It would be presumptuous on our part to suggest ways and means of reducing the cost of production, but in the course of the evidence tendered before the Board a number of witnesses have brought to light several factors which swell the cost to-day, namely, (1) the low production capacity of machinery which is old or which is improperly, handled and looked after; according to our information 25 per cent. of the machinery is such and it makes a difference in production from 20 to 30 per cent.; (2) inefficient

labour—due largely to a lack of interest in the proper training of the operatives; (3) the appalling rate of absenteeism which necessitates the employment of as many as 10 per cent. to 12 per cent. extra hands. If absenteeism could be reduced in Ahmedabad it should not be impossible in Bombay The " budli " system is estimated to affect efficiency by 30 per cent.; (4) the absence of automatic looms and other labour-saving devices; (5) the uneconomical handling of cotton, coal, waste and stores and the charging of commission on production; (6) the extravagant managing agency system and the defective selling agency system; (7) Mr. A. B. Tata says in his written statement that in the majority of the mills yarn of 2 to 2½ counts goes to the heavy side in the cloth department and therefore there is an invisible loss of 3 to 6 pies per lb.; (8) labour wages are alleged to be excessive. It is for the Board to determine whether a reduction is possible or desirable; (9) the defective system of buying cotton as contrasted with exporting houses; (10) the absence of technical experts on the Board of Directors which results in costly mistakes. All these are disabilities which could be removed if there were a will to do so.

It has been also suggested that the Mill-owners' Association should bestir themselves about the creation of a yarn exchange and should educate its members about the utility and even the necessity of hedge operations.

Witnesses have also indicated various other directions in which the Government, perhaps, can give a helping hand in the way of reduction of railway and shipping freights, abolition of the town duty on cotton and the import duty on stores and machinery.

Another remedy which the Bombay Mill-owners have always obstinately refused to adopt is curtailment of production in times of depression. England, Japan and America systematically resort to short time whenever there is a serious absence of demand and stocks begin to accumulate. But the mill-owners retort that these countries do not import cloth and so they have nothing to fear; whereas India being a cloth-importing country short-time working would only give a chance to competing countries to steal a march over Indian mills. This argument sounds very well in theory but it is fallacious to the core. The burden of the mill-owners' song is that Japan is the only competitor. We have demonstrated in Part I what that competition amounts to. But assuming that spectre to exist, why cannot Bombay mills go short time and curtail production in bleached and coloured goods (in which there is no competition at all) as well as in all styles of grey goods with the possible exception of one kind in which some negligible competition may be traced ? There can be no question of Japan substituting goods in these lines. We trust the Board will grasp this important point and give it due consideration.

8. Nothing further remains to be said beyond thanking the President and Members of the Board and you, Sir, for the great courtesy shown to us throughout. It is with supreme faith that we commend this statement to their kind consideration and we hope and trust that the Board's finding will justify our conviction that the Mill-owners' Association have failed to substantiate their case.

Witness No. 31

THE JAPAN COTTON SPINNERS' ASSOCIATION, OSAKA, JAPAN

Written Statement dated the 1st October 1926

Letter addressed to the President of the Indian Tariff Board (Cotton Textile Industry Enquiry), by the Chairman of the Committee of the Japan Cotton Spinners' Association

We have the honour to present to you, for your reference, the accompanying statement concerning the relation between the present tariff issue in India, and the Japanese cotton spinning industry.

The Indian Government, we are told, appointed a second Tariff Board to investigate the causes of the present depression of the cotton spinning industry in India, and to make any recommendations thereon.

In view of the weight of the report which the Board will make and its effects upon the interests of the Japanese cotton spinning industry, we respectfully express our views on the situation, in the hope of obtaining fair and just consideration, especially as we are informed that the subject of the "Japanese competition" specifically forms one of the items of enquiry.

The Japanese cotton spinners have not in mind to object to a mere tariff increase, as is evidenced by the fact that no complaints have been made when the Indian rates on piece-goods were twice increased since 1917, but we make this appeal to you because the present tariff issue is different in nature from the previous cases and aims at giving a discriminatory treatment to Japanese yarn and piece-goods.

We believe that the arguments for raising the tariff rates are based upon unfounded allegations, exaggerations, or misunderstandings, and should perchance the Indian tariffs be increased upon the basis of such arguments, we fear the consequences would be detrimental, for not only would the Japanese cotton spinners be seriously affected, but the trade between India and Japan is bound to be hampered, and the good will existing between the two countries impaired.

We presume that the Board will have gathered the necessary information relative to the Japanese cotton industry, but with the intention of clarifying the position, we hereby respectfully submit this statement.

In closing, we desire to say that our object is to dispel misunderstandings which have arisen regarding the Japanese cotton industry and to give you such information for reference as will enable you to arrive at an equitable decision based upon a correct understanding of the actual conditions.

Statement concerning the relations between the Indian and Japanese cotton spinning industries

In recent years, the view appears to have been entertained among a section of the people of India that the increased imports of Japanese cotton yarn and piece-goods into India, is due to unfair competition on the part of the Japanese spinners. Based upon this mistaken notion, they have strongly urged that an extra import duty be imposed upon the Japanese cotton yarn and piece-goods imported into India and thereby subject Japan to a special tariff discrimination. In consideration of this fact, the Japan Cotton Spinners' Association addressed a statement to the Indian Government in February 1926, following the one of December 1921, setting forth with sincerity that the view entertained in India was either groundless or extremely exaggerated, and that, should by such false propaganda a revision be perchance brought about in the Indian Customs Tariff the result would be not only very unfortunate for the Japanese cotton spinning industry but would also hamper the general trade between India and Japan; tend to impair the friendly relations between the two people; an eventually lead to undermining the mutual interests of both countries.

We hardly deem it necessary for us to repeat here the same contentions which we have made before, but upon perusing a long statement addressed to the President of the Tariff Board (Cotton Textile Industry Enquiry) by the Millowners' Association of Bombay in July this year, we find in that statement a number of errors of fact in important particulars, and indications of misunderstanding arising from lack of knowledge of the spinning conditions in Japan. We respectfully address this statement to the President of the Tariff Board, setting forth our views in regard to the following points contained in the statement of the Bombay Millowners' Association.

1. *Decrease of Exports of Indian Cotton Yarn to China*

The first part of the statement by the Millowners' Association of Bombay is to the effect that the remote cause of the recent depression of the Indian spinning industry is due to the decrease of exports of Indian yarn to China since the close of the last century, and this decrease is in turn attributed to the currency policy of India and to the competition by the Japanese spinners. We are not at present concerned with the Indian currency system. We shall only refer to the fact that Japan adopted a gold standard in 1897 and ever since, has been operating under similar conditions as India, in conducting the trade with China. Although we believe that the competition by the Japanese cotton yarn exports to China, has very little, if any, relationship with the tariff issue in India to-day, we will briefly explain the circumstances.

The cotton spinning mills were first established in Japan in 1867 and the exportation of the products of the mills to China was commenced in 1890. Previous to that, about, 1880, the British and Indian cotton yarn trades were maintaining an equal amount with each other in the cotton yarn import market of China. China at that time imported about 50,000 bales of yarn from each of the two countries. Later, about 1890, the imports of British cotton yarn into China had slightly declined, while the imports of the Indian cotton yarn increased by leaps and bounds in those ten years, and amounted in 1890 to 325,000 bales. We however think it only proper to say, that although the Indian cotton yarn competed with the British to a certain extent, in the main it opened a new market in China outside of the market for the British goods, and thereby brought about the increase.

After 1890, when the importation of the Japanese cotton yarn into China was commenced, the amounts of the imports gradually increased. At the same time, the imports of Indian cotton yarn generally maintained their usual amounts. For several years from 1902 onwards the imports of Indian cotton yarn into China have considerably increased. There was a relapse subsequently, for the increase in the years after 1902 was by no means a normal one as it was due to the rise in the price of silver, so that imports of Japanese cotton yarn correspondingly increased in these years. Reviewing the state of the trade with China for about twenty-five-years after the commencement of the importation of the Japanese cotton yarn into China, it is seen that the imports of Indian cotton yarn into that country increased by about thirty per cent. and until the year before the opening of the European war the amount of imports of Japanese cotton yarn had not coped with the imports of the Indian cotton yarn.

The Japanese yarn and the Indian yarn imported into China were as a rule different in counts. Also, as the Chinese raw cotton was used in mixture with the Indian in the

Japanese cotton yarn, there was a difference in quality from the Indian cotton yarn. Besides this, the Japanese goods were chiefly sold in North China and regions north of the Yangtse River, while the Indian goods were mostly sold southwest of Shanghai, thus catering to different markets. To be sure, there was a degree of competition, but even so India has no reason to blame Japan. As a matter of fact, the records of the thirty years after 1890 show, that as the Indian cotton yarn opened a new market in China, outside of the British goods market in the latter part of last century, so the Japanese cotton yarn has opened its own new market in the country along with the development of the cotton spinning industry in Japan, outside of the Indian market.

The increase of imports of the Japanese yarn into China and the decrease of imports of Indian yarn, during the war period as compared with prewar years were due to the exceptional war-time circumstances. In the years after the war, the imports of Indian cotton yarn have remarkably decreased, as have also the imports of Japanese yarn, but this, it is submitted, is due to the development of the cotton spinning industry in China, and neither India nor Japan can blame other nations because of such decrease.

The cotton spinning industry in China was commenced about 1890. During the succeeding thirty years, the progress was very low. Consequently, both India and Japan were able to export a considerable amount of cotton yarn to China before the Great War. After the war, however, the spinning industry in China suddenly developed, and while in 1918 the number of spindles installed in that country was 1,470,000, to-day the number has grown to 3,700,000. The decrease of the imports of foreign yarn should therefore be an inevitable consequence.

In comparing the decrease of imports into China, as between India and Japan for years subsequent to 1917 it is seen that the percentage of decrease is higher in the case of the former country. This position was due to an increase in recent years of the exports of cotton yarn above 30 counts from Japan to China. Especially noteworthy is the exports of 32's yarn, which increased from 7,477 bales in 1917 to 24,159 bales in 1925. Meanwhile, India has exported practically nothing finer than 20's to China.

As a result of the development of the cotton spinning industry in China, the imports of coarse yarn into that country have decreased. There is still some room for increasing the imports of the medium counts, but India produces very little yarn which is finer than 31's. These facts account for the disparity of imports between Japan and India into China. Japan has of late years considerably increased its imports of American raw cotton, and the amount of 31's and finer yarn produced in 1925 was 23 per cent. of the total yarn production of the country, while the corresponding amount of production in India was only 3 per cent.

A large amount of Japanese capital has been invested in the cotton spinning industry in China thus supplying the yarn produced there to the Chinese market. Japan however has no exclusive privileges to establish cotton spinning mills in China, and Indian capitalists are at perfect liberty to do the same thing as the Japanese.

Deductions from our previous statements, reveal firstly the increase of exports of the Japanese cotton yarn to China, and secondly the increase of the imports of Indian raw cotton into Japan. The benefits of the increase have almost, if not entirely, accrued to India. The importation of the Indian raw cotton into Japan synchronized with the commencement of the exportation of the Japanese cotton yarn to China. Although the increase of imports of the Indian raw cotton into Japan in later years cannot be said to be altogether due to the increase of the exports from Japan to China, yet if the Japanese cotton yarn were not exported to China the imports of the Indian raw cotton into Japan would have been correspondingly reduced.

2. *Misunderstanding about Washington Labour Conventions and Japanese Factory Act*

Another point in the statement of the Millowners' Association of Bombay is that the Japanese cotton spinning industry has a "special advantage" over the Indian cotton spinning industry, and that consequently India should adopt a special protective measure to enable the Indian cotton spinning industry to cope with the Japanese industry. The so-called "special advantage" which Japan is said to possess over the Indian cotton spinning industry, is that she has not yet ratified the two conventions regarding the working hours and the night work of women and minors, and it was specifically stated that the Revised Factory Act promulgated in March, 1923, in less rigid than the Indian Factory Act in regard to the employment of labour.

As we have fully explained the circumstances why Japan has not yet ratified the draft Conventions of the Washington Labour Conference in our statement of February, 17th,

this year, we do not see the need of repeating the explanations here. As for the position of Japan in reference to the conventions and the relations between India and Japan concerning the issue raised, a few passages in the letter sent to the Millowners' Association of Bombay by the Indian Government should make the situation clear.

Sections 4 and 5 of the letter referred to, briefly summarized, say that the prohibition of night work for women and minors in industrial employment and the 10-hour day system had been adopted in the cotton spinning industry in India before the Washington Conventions were ratified, and therefore the revision of the Factory Act in India and the ratification of the Washington Conventions have no relations one with the other. The letter further says, that from the point of view of Article 405 of the Treaty of Peace of Versailles, Japan is not obligated to ratify the Washington Conventions. Accordingly, the letter straightforwardly declares that the Indian Government is restrained from taking steps to denounce other treaties between India and Japan on the ground that Japan has not yet ratified the Washington Conventions.

One thing we would add to the declaration of the Indian Government is that Japan is not purposely neglecting to ratify the Washington Conventions on the pretext of Article 405 of the Treaty of Peace—neither is she regarding the conventions with any slight. On the contrary, Japan is putting them into practice as far as the circumstances permit. Already, nearly all of the conventions and recommendations adopted in the International Labour Conference have been incorporated in the Factory Act now in force.

The points raised by the Millowners' Association of Bombay branding the revised Factory Act of Japan as being less rigid than the Factory Act of India are extremely erroneous. We cannot but doubt whether the writer of the statement of the Bombay Millowners' Association had ever read through an outline of the labour laws of Japan.

According to the statement referred to, the Millowners' Association of Bombay, by quoting Article 3 of the revised Factory Act of Japan appears to think that the Japanese spinners with permission of the competent Minister, are allowed to employ women and minors for thirteen hours a day for a period of fifteen years after July 1, 1926, but Article 3 of the Factory Act has a phrase inserted therein saying " according to the kinds of work ". By the Regulations for the Enforcement of the Factory Act (July 1st, this year), the weaving section of a cotton spinning mill is not given the exceptional privilege referred to, and in all circumstances, the factory owners shall not be permitted to employ women and minors for more than eleven hours a day. Only the spinning section is allowed to lengthen the hours to twelve (not thirteen) a day until August 31, 1931—that is for five years, but where a two-shift system of work is in practice, the lengthening of the hours of employment is not permitted. Consequently, the Japanese cotton spinning mills are in effect prohibited from employing the women and minors for more than eleven hours a day after July, 1, this year. Besides this, Article 7 of the Factory Act provides that out of eleven hours of service at least one hour shall be allowed for rest. The working hours not only in the weaving section but also in the spinning section are therefore ten as in India. As a matter of fact by a resolution voluntarily passed by the Japanese spinners the 10-hour day system has been adopted by nearly all of the mills since 1923.

The statement of the Millowners' Association of Bombay also points out, that although by Article 4 of the revised Factory Act of Japan, the night work of women and minors in industrial employment is prohibited, a period of grace for three years after the promulgation of the law is provided for, and that even after that period a provision will remain that by means of a two-shift system the mill may work for eighteen hours a day, thereby branding Japan as not fulfilling the Washington Conventions. Whether the Japanese spinners will adopt a two-shift system or a one-shift system after three years of grace, is still undecided. Granted that a two-shift system is adopted, it would by no means, contravene the Washington Conventions because they provide that the night work of women and minors in industrial employment shall be prohibited between 10 p.m. and 5 a.m. and do not prohibit their employment during other hours, or a two-shift system. Besides, a two-shift system is adopted not only in Japan but also in European countries, and in the U. S. A. As for the period of grace of three years, no one with a knowledge of factory management would fail to recognize the propriety of providing for such a period, in view of the sudden decrease of output by the prohibition of night work of women and minors in industrial employment.

The statement of the Millowners' Association of Bombay also describes the Factory Act of India, saying that the Act provides for minute regulations as to ventilation, light, water supply, fire-escapes, lavatories, and other sanitary arrangements; that in regard to the inspection of factories a well regulated system is provided for; and that the Act

provides that in employing workers the applicants for work must each possess a certificate issued by the certifying surgeons that they are twelve years old and are fit to do the work. The statement then says that these regulations are not made in the Factory Act of Japan. That allegation as to Japan is contrary to fact. The Japanese labour laws are not as simple as those of India. Although no provision is made in the Factory Act of Japan as to ventilation, light, etc., they are minutely made in the prefectural regulations in force and the Imperial Government is now making preparations to compile these prefectural regulations into one comprehensive national act.

The service of factory inspection in Japan is administered by the Bureau of Social Affairs which is a distinct institution in the Government. The main divisions of the Bureau are: The Labour Division; the Social Welfare Division and the Social Insurance Division. These three Divisions are supported by ten Sub-Sections, including the Labour Inspection Section, which is at present employing 323 inspection officers stationed throughout the country, and if the inspection officers employed by the different prefectures are added the total number will be surprisingly high. The thoroughness with which the factory inspection service is conducted in Japan is altogether beyond comparison with the similar service in India where the administrative system is disjointed. The Indian method of trusting to the certifying surgeons to ascertain the ages of the workers is no doubt a necessary provision, as the official system of the registration of the people in that country is very imperfect, while in Japan, the official system of registration of the people is rigidly enforced.

There are many points on which the labour laws of Japan far surpass the labour laws of India in excellence. For instance, the Health Insurance Act which was promulgated in 1922 is an effective law for securing the welfare of factory hands and we have not yet heard of India possessing a similar law.

The Indian millowners base their arguments on misguided assumption in branding the Japanese competition as "unjust" and "unfair". In our opinion, their attitude in insinuating other nations on the basis of unfounded ideas, and in trying to hamper trade by means of discriminatory tariff is "unfairness" itself.

3. *Alleged Subsidy for Freightage and Low-Interest Capital*

Regarding the issues of the subsidy for freightage and the low-interest capital, we have fully explained them in our statements of December, 1921, and of February, this year. We shall, therefore, refrain from making unnecessary amplifications here. The Bombay millowners appear to lay stress upon the allegation that the high rate of freightage from India was the greatest cause of the decrease of the exports to China and of the hindrance to the export trade with South African countries. If that allegation were true, the Bombay millowners should immediately have entered into negotiations with steamship companies for bettering the conditions. As is pointed out in the statement of the Mill-owners' Association of Bombay, Indian spinners are appealing to the government to negotiate with the steamship companies for reduction of freightage from Bombay to such ports as Madras, Calcutta, Singapore, Basra, Zanzibar, Mombassa, Port Said, Levant, etc., to where the Indian cotton yarn and piece-goods are exported. A similar experience of appeal to the Government has never fallen to the lot of Japanese millowners.

4. *Rise of the Cost of Production*

The Bombay millowners have mentioned, as one of the chief causes of the depression of the Indian cotton spinning industry in recent years, the rise of the cost of production. We have not sufficient material to explain in detail, to what extent the rise of the cost of production has caused the depression in the cotton spinning industry in India, but we recognize the fact that the cost of production has risen very much of late in India, in company with the general rise in costs which has been common to every country. As between India and Japan after the Great War, the rise of prices and of the standard of living, as well as of labour costs, has been remarkable in the latter, as compared with the former country. Because the Indian spinners had said that the labour cost of Indian mills was far higher than in Japan, we have mentioned figures in our statement of February this year to disprove the allegation, but since the statement of the Bombay Mill-owners' Association this time does not make any particular comparison with Japan, we deem it unnecessary here to touch on the matter in detail. For the Indian millowners reference however we will give the index number of prices in Britain, America and Japan, as compiled by the Bank of Japan, for comparison with the statistics compiled by the Bombay Labour Office.

Comparative wholesale price levels in principal countries

(Base, July 1914—100)

Year		Tokyo	London	New York	Bombay
1915	..	101·6	129·2	113·8	—
1916	..	122·9	168·3	136·6	—
1917	..	154·7	214·4	180·5	—
1918	..	202·6	236·0	216·7	236·0
1919	..	247·8	246·8	215·7	222·0
1920	..	272·8	297·4	217·3	216·0
1921	..	210·8	190·1	131·3	197·0
1922	..	206·0	167·3	140·0	187·0
1923	..	209·5	170·2	154·8	181·0
1924	..	217·3	182·6	148·6	182·0
1925	..	212·2	174·8	161·1	163·0

Note.—Tokyo—According to the Bank of Japan.
London—According to "The Economist".
New York—According to "The Bradstreets".
Bombay—According to the Bombay Labour Office (Base, 1914—100).

5. *Advocacy for Increase of the Tariff Rate by an additional 13 per cent.*

The conclusion of the statement of the Bombay Millowners' Association is to the following effect: The Indo-Japan exchange rate has fallen from 153 rupees per 100 Yen to 129 rupees, meaning a fall of Yen by 15 per cent. The statement avers that the loss sustained by Japan in importing the raw cotton from India is more than balanced by the profits Japan makes in exporting the manufactured goods to India, so that the import duties should be specially raised by eight per cent. Again the statement says that since Japan can save five per cent. of the cloth in the cost of production because of the two-shift system as compared with the one-shift system, the import duties against the Japanese goods should be raised also by five per cent. extra. The statement also appeals for a further degree of protection by allowance for depreciation of plant and machinery.

Regarding the exchange rate, before we criticize in detail the position taken by the Bombay Millowners' Association we would point out the fact that the exchange rate of Yen has now recovered its normality. So long as the exchange rate between Britain and India remains at 1*s.* 6*d.* it would be impossible for the exchange between India and Japan to recover the rate of 150 rupees. We understand that it is a pending issue between Britain and India whether the exchange rate between the two countries should remain at 1*s.* 6*d.* or be fixed at 1*s.* 4*d.* We do not propose to say which should be the proper rate. If, however, India woud raise the import duties specially because of the exchange issue, then we would maintain there is no reason why India should raise the duties against Japan before doing so against other countries whose currencies have depreciated.

The arguments of the Indian millowners in insisting upon raising the import duties particularly by eight per cent. are, that since Japan has been profiting by fifteen per cent. by exporting the manufactures to India while losing fifteen per cent. in importing raw cotton owing to the exchange rate, and as the price of raw cotton is about fifty per cent. of the manufactures, India should increase the import duties by eight per cent. to balance up the rates. From the point of view of these arguments, India should properly increase the import duties against those countries which do not import raw cotton from India, to the full extent of the fall in exchange.

Again, taking the case of Japan alone, the loss sustained by the Japanese spinners by the fall of the exchange rate is not confined to raw cotton but applies generally to all imported stores and machinery. Moreover, since the fall of the exchange rate is one of the main causes of the rise of prices and of wages, if all the foregoing points are taken into consideration, and the loss is checked off against the gain of exporting cotton yarn and piece-goods, the profit of the Japanese spinners would amount to very little indeed.

The contention of the Bombay Millowners' Association that the import duties should be raised by 8 per cent. because of the fall of the exchange rate may refer to the instances involving cotton piece-goods only. As the Association quoted an article of "The Financial Times" of London, 9th November 1925, wherein the price of raw cotton was given as representing 80 per cent. of yarn price, the claim of 8 per cent. increase by the Association should really be reduced to 3 per cent. Considering the foregoing

described circumstance, the Bombay Millowners' Association should rather insist that the increase of duties should not be made in the case of cotton yarn.

Even if Japan has been in an advantageous position for a few years because of the fall in exchange rates, it should be noted that she is now placed in a position of disadvantage because of the recovery of the exchange rates and that the disadvantage will continue.

Regarding the contention that Japan saves 5 per cent. on the value of the cotton piece-goods by using the two-shift system, we would point out that nearly all of the work in the weaving section of the Japanese mills is now conducted by the one-shift system. Hence, the contention of the Bombay millowners falls flat.

As to cotton yarn, we would mention that in the event of a two-shift system being adopted in three years' time, it will have to be of sixteen hours (deducting the hours of rest and shifting) because the night work of women and minors in industrial employment is to be prohibited after July 1, 1929. In effect this will mean a working eight-hour day (as against India's ten-hour day), with its unavoidable increase in the cost of production.

Whether the Japanese millowners will adopt the two-shift system or one-shift system in three years' time, remains to be seen, as the question involves many serious problems from economic and social points of view, and is extremely difficult of solution.

It is said that the reason why Indian mills cannot adopt the two-shift system lies in the fact that the Indian Factories Act prohibits the employment of women and minors between the hours from 7 p.m. to 5-30 a.m., combined with the difficulty in securing labour necessary for night work. We are however given to understand that the prohibition of the employment of women and minors after 7 p.m. was necessitated by special circumstances prevailing in India, and was therefore in no way connected with the Washington Convention, which prohibits employment after 10 p.m. Should the fact that Japan is enabled to adopt the two-shift system through various circumstances, chiefly her more favourable climatic conditions, be called a "special advantage", the possession of vast territory for cotton growing should likewise be considered a very "special advantage" for India, from the Japanese point of view. The contention of the Bombay millowners that extra import duties should be imposed upon the Japanese goods alone because of the "special advantage" of Japanese spinners is, we submit, extremely unfair.

6. *Protection of Goods other than Cotton Manufactures*

If India maintains that it is just to impose special import duties upon goods imported from certain countries on account of exchange issues and other reasons, it would be necessary for India to protect with special import duties not only the cotton industry, but also other lines of industry. The statement of the Bombay Millowners' Association refers to the fact that the manufacturers of Sugar, Cement, Iron and Steel, and Leather goods are seeking protection, as they are suffering under the exchange policy adopted by the Indian Government. If a special protection is to be given to all the industries of India, the prices in that country will necessarily rise to the great annoyance of consumers, and the ultimate result will be to bring a pressure upon home industries. Under such circumstances, it would not be difficult to imagine the fettered position in which India would be placed.

7. *Result of raising the Tariff*

The Indian spinners, who have been advocating a tariff raising for the past ten or more years, have always been successful. Up to 1916, the rate of import duty on cotton piece-goods was 3½ per cent. but since there was 3½ per cent. of excise duty imposed on domestic products, the Indian cotton spinning industry was not in effect protected by the import duties. In 1917, because of the need of filling the gap in the national finance in the war time, the import duty on cotton piece-goods was raised to 7½ per cent. Again, in 1921, it was further raised to 11 per cent. In the succeeding year, the import duty of 5 per cent. on cotton yarn, which up to that year had been free was established. Meanwhile the excise duty of 3½ per cent. was left standing until November last year, and from December it was abolished. Thus the Indian cotton piece-goods industry is now protected to the full extent of 11 per cent.

What has been the effect of these tariff changes upon the Indian cotton spinning industry? The business depression remains as bad as when there was no tariff wall. In fact, the situation is now much worse as the spinners themselves have confessed.

The trouble with the Indian spinners is that they have failed to take steps for the improvement of their methods of management, and have remained idle. Meanwhile

the tariff has only helped them to remain in a still worse state of inertia. Really it has contributed toward preventing the betterment of the industry, which is proved by the experience of the Indian spinners during the past ten years.

That there are many defects in the Indian methods of managing the cotton spinning industry is a well known fact, and these defects can by no means be remedied by the protective tariff. They are only aggravated thereby. In the light of this experience, it is not difficult to imagine that even if an increase of the tariff rate by an additiona. 13 per cent. is made as advocated by the Indian cotton spinners, a day will soon come when a further raising will be advocated.

As we have explained in our statement of February, this year, we shall have no reason to complain, if for financial reasons the Indian Government should decide to raise the tariff rates for the cotton yarn and piece-goods imported from all foreign countries alike. We, however, shall continue to protest strongly against a discriminatory treatment of the Japanese cotton yarn and piece-goods in reference to the tariff rate, for such a special protective tariff is unwarranted in the light of true facts, and will surely produce unprofitable results for both India and Japan as we have often repeated.

Witness No. 32

THE INDIAN CENTRAL COTTON COMMITTEE, BOMBAY

Written Statement dated the 2nd September 1926

The Central Cotton Committee, the creation of which was recommended by the Indian Cotton Committee of 1917-1918, was constituted by Resolution of the Government of India No. 404-22, Department of Revenue and Agriculture, dated 31st March 1921. With the passing of the Indian Cotton Cess Act in 1923, the Committee was permanently incorporated and provided with funds for carrying on specific work for the improvement of cotton growing in India.

The personnel of the Indian Central Cotton Committee is thoroughly representative of every section of the Indian cotton industry. The President of the Committee is the Agricultural Advisor to the Government of India (ex-officio), and its membership includes cotton growers, merchants, agricultural officers, ginners and millowners. The work of the Committee falls under two main heads. It advises the Government of India and Local Governments on all matters connected with the improvement of cotton growing and cotton marketing and, in administering the cotton cess funds, the Committee provides for agricultural and technological research for the benefit of cotton growing in India as a whole.

It does not seem necessary, for the purposes of this note, to detail the work which the Committee has already done or which is in progress at present. Such information is readily available, if required, in the Annual Reports of the Committee or in its publications issued from time to time.

It may be mentioned, however, that two important legislative measures,—the Cotton Transport Act and the Cotton Ginning and Pressing Factories Act,—stand to the credit of the Committee. Both these measures are designed to stop mal-practices which injure the cotton trade of India and inflict serious loss upon the Indian grower.

The Committee is also conducting inquiries into the finance of the cotton crop up-country. These inquiries are being held in four centres,—Khandesh, North Gujarat, Berar and Madras, and are expected to yield valuable information with regard to the financial and economic position of the cotton growers of these tracts.

The Committee maintains a Technological Research Laboratory for testing cottons of Agricultural Departments and for research on the cotton fibre. The Indore Institute of Plant Industry is partly financed by the Committee and serves as a central agricultural research station for cotton problems. In addition the Committee provides funds, by means of research grants to Provincial Departments of Agriculture, for specific investigations on the cotton crop, which are of general importance. At present, twelve such research projects are being financed by the Committee and others are under consideration.

Lastly, the Indian Central Cotton Committee, by a system of research scholarships, awarded to selected Indian graduates for definite approved work on cotton, is endeavouring to meet the present shortage of qualified research workers on the cotton crop in India.

The above outline of the activities of the Indian Central Cotton Committee will indicate that the work which is being done under the auspices of that body, is of great importance to the Indian cotton trade and to the Indian cotton grower. The interests of the cotton grower in India are always most jealously guarded by the Indian Central Cotton Committee and much of its work is directed towards enabling the cultivator to produce a better quality of cotton to get a bigger yield per acre and to obtain a better price for his produce.

The Committee do not propose to offer any detailed replies to the questions contained in the questionnaire issued by the Indian Tariff Board.. Many of these are concerned with matters which, although of considerable interest and importance to the cotton trade, do not affect the policy or work of the Indian Central Cotton Committee, as a representative body. It is therefore considered to be outside the scope of the Committee to submit any statement, or offer any opinion, on matters included in Questions 1 to 115 of the Questionnaire.

With reference to Question 116,

> " Are you in favour of an export duty on cotton? If so, at what figure would you place it ? To what extent do you consider such a duty would affect (*a*) the

income of cotton growers, (*b*) the area under cotton, (*c*) the price of cotton in India, (*d*) the price of Indian cotton in overseas markets ? "

the Indian Central Cotton Committee, in pursuance of its policy to protect the interest of the Indian cotton grower records its definite opposition to any proposal for an export duty on cotton. This opposition is based upon two main reasons. Firstly, the Committee believe that such a duty would eventually be paid by the producer and would accordingly reduce the price which the grower receives for his produce. Secondly, the imposition of an export duty on cotton would, in the opinion of the Committee, tend to restrict and discourage production, especially of the superior and finer qualities of Indian cotton which the Committee has devoted much time and money to encourage. All economists agree that an export duty on raw material, especially in such countries where production is not sufficiently monopolised to enable world prices to be controlled, is bound to fall wholly, or in large part, on the producer, The opinion of the Indian Fiscal Commission of 1921-22 is stated in paragraph 186, page 106, of their Report :—

" We consider that an export duty on cotton would fall on the cotton producer in India and would have the effect of discouraging the production of cotton. "

In this view, the Indian Central Cotton Committee agrees and opposes strongly any such tariff as being very definitely contrary to the interests of the Indian cotton growers.

The chief opposition to the Indian cotton cess was based on the assumption that the cess, amounting to two to four annas per bale consumed in or exported from India, would prove an additional burden on the cotton grower on whom payment would ultimately fall. This opposition was overcome by the realization that the objects for which the cess was being levied would result in considerable benefit to the cotton grower and that, even if he did have to bear his share of the tax, he would, in the long run, be a considerable gainer. That this has proved true is beyond dispute and, to take only a single instance, the working of the cotton Transport Act in Gujarat has put many lacs of rupees into the pockets of the cotton growers in the protected areas.

No such argument can be advanced in favour of an export duty, which is chiefly retaliatory in its nature and which can in no way be shown to have an ultimate effect to the benefit of the producer. While such duty may give some measure of protection to the mill industry, it would adversely affect the cotton grower—usually a poor man—to a serious extent.

The Indian Central Cotton Committee have always considered that, in the interests of the cotton industry of India, an improvement in the economic position of the cotton grower is an imperative necessity. The general ignorance of the cultivators, the facilities for finance in the villages, the systems of marketing kapas, and the undue importance of middlemen, are all factors which reduce considerably the price which the grower ultimately receives for his produce. The Committee have been investigating these matter with the object of ensuring fairer treatment for the cotton grower and of obtaining for him a more equable share of value of his cotton crop.

The Indian Central Cotton Committee therefore must record its opposition to any proposal, such as the imposition of an export duty on cotton, which is antagonistic to its policy and which, in the opinion of the Committee, will result in additional hardship to the Indian cotton growers.

India is quantitatively the second cotton producing country in the world but her production of the various staples is badly balanced. The future development of cotton growing in India depends upon the possibility of obtaining an increase in the profits obtainable from cotton production. This can best be done by increased production of that type of cotton which is most desired by the world's spinners and which will therefore fetch the highest prices in the world's markets. The cotton spinning and weaving industries of the world have developed mainly on the basis of a type of cotton with a staple of not less than $\frac{7}{8}$" of an inch. The Indian cotton crop consists of about 70 per cent. of cotton below this figure of staple length and only 30 per cent. above. Owing to the ravages of the boll weevil in America—for which no real remedy has yet been found—there is a constant insecurity about the supply of staple cotton from that country. This, combined with the fact that America is using more and more of her cotton in her own mills, makes it essential that the production of staple cotton in India should be considerably augmented in the interests of the Indian cotton growers and also for the benefit of Indian mills who occasionally have to import American and Egyptian Cottons. The statement appended. (Annexure A) shows the progress which has been made since 1915 in cotton growing in India, by varieties and staple length. In 1926, the percentage increase of the short staple cotton crop over 1915 is 29·8. The figures for the medium long staple crop indicate

that, in the same period 1915-1926, the production of long staple cotton has increased by 84·8 per cent. or nearly doubled. Still however, it must be noted that about 65 per cent. of the total Indian crop consists of cotton with a staple under ⅞ inch. The Committee believe that one of the first effects of an export duty on cotton in India would be to check seriously the development of cotton cultivation in the country.

In the case of the short-stapled crop which forms the bulk of India's cotton production, and for which there will always be a demand for spinning coarse cloth which the poorer classes of the population can afford to buy an export duty will undoubtedly have to be borne by the growers and will consequently have the effect of discouraging production. The production of medium and long stapled cotton in India would similarly be adversely affected by the imposition of a cotton export duty.

The Indian Central Cotton Committee are of the opinion that the result of an export duty would be to discourage the cultivation of all types of cotton in India by reducing still further the growers' share of the value of the crop. This would be most harmful to the best interests of the Indian cotton industry and would limit considerably the potential value of the Committee's work in the direction of obtaining a higher profit for the Indian grower by increased yield per acre, by better prices and wider marketing facilities and by the extension of the cultivation of more profitable varieties of cotton.

Progress of the Indian Cotton Crop 1915 to 1926 by varieties and Length of Staple

Varieties.	Average during 1915-18 in '000 Bales	Estimated crop during 1924-25 in '000 Bales	Estimated crop during 1925-26 in '000 Bales	1925-26 % Increase over 1915-18	Remarks
Short Staple.					
Oomras (excluding Hyderabad Gaorani)	1,631	1,970	1,926		
Dholleras	472	606	626		
Broach (part)	93	97	110		
Bengals	§687	1,042	1,050		§Average for 5 years ending 1914-15.
Comillahs, Burmahs, etc. ..	79	112	124		
Coconadas	37	54	57		
Total, Short Staple (below ½th inch) ..	2,999	3,881	3,893	29·8	
Long Staple.					
Oomras-Hyderabad Gaorani (Bani)	168	450	550		
Broach (part)* Surat-Navsari mostly 1027 A. L. F. (Staple 1 inch) ..	....	122	127		
Do. others ..	190	114	87		
Kumpta-Dharwar* Gadag No. 1 (Staple 1 inch) ..	.....	15	21		
Do. *Dharwar No. 1 (Staple ⅞th inch) ..	....	20	30		
Do. other Kumpta and Dharwar-American ..	282	308	263		
Westerns and Northerns (*a*) Nandyal 14 (Staple 15/16 inch to 1 inch) ..	....	3	3		(*a*) Previously also known as "Sircar 14".
Do. (*b*) Hagari 25 (Staple ⅞th inch).	....	6	25		(*b*) Previously also known as "Sircar 25".
Do. others ..	193	345	345		
Tinnevellys including Karunganni, Karunganni (staple ⅞th inch) ..	40	60	60		
Do. other Tinnevellys..	66	97	106		
Salems & Cambodia—Irrigated Cambodia (Staple 1 inch to 1⅛th inch) ..	101†	139	113		†Average for 1916-18. Revised figures reported by D. A. Madras.
Do. Other Cambodia and Salems	78†	69	85		
Punjab and Sind Americans (staple 15/16th inch to 1⅛th inch)	43	359	330‡		
Total Long Staple ..	1,161	2,107	2,145	84·8	
Grand Total ..	4,160	5,988	6,038	45·1	

* Staple greatly improved as a result of the Cotton Transport Act, and now far more uniform.

‡ The figure adopted is that given in the supplementary cotton forecast April 1926. The returns from cotton pressing factories however indicate that the crop is considerably above the estimate and probably exceeds 400,000 bales.

ANNEXURE A

I have the honour to acknowledge receipt of your letter No. 1200 of 1926, dated the 1st November 1926, and to state that it is not easy to give a definite opinion on the matter raised in your letter. I have consulted the Director of our Spinning Laboratory, Matunga, and he estimates that no Indian long stapled cotton is really suitable for warp yarn above 36's counts. All the cotton which come within 30/36's warp range would be suitable for weft of rather above 36's counts.

With regard to Indian long stapled cottons the following table may be taken to summarize the position. This table is based on our spinning tests for standard Indian cottons and it is assumed that the crop which is outside our standards will be of inferior quality to these standards. Further, the proportions mentioned in the undernoted table may very possibly be not realised if the season is an unfavourable one :—

Cottons	Estimated crop in 1925-26 in 1,000 bales	Suitable warp 30/36	For weft 30/36
(1) Oomras Hyderabad Gaorani (bani) ..	550	..	..
(2) Broach (part) Surat Navsari mostly 1027 A.L.F. (1" staple).	127	127	..
(3) Broach (part) Surat Navsari mostly 1027 A.L.F. (others).	87	..	..
(4) Kumpta Dharwar Gadag No. 1 (staple 1") ..	21	21	..
(5) Kumpta Dharwar No. 1 (staple 7/8") ..	30	30	..
(6) Kumpta Dharwar Gadag No. 1, other Kumpta and Dharwar American.	263	..	..
(7) Western and Northerns—			
(a) Nandyal 14 (staple 15/16-1") ..	3	3	..
(b) Hagari 25 (7/8")	25	25	..
(c) Others	345	..	..
(8) Tinnevellys—			
(a) Karunganni (7/8")	60	..	60
(b) Other Tinnevellys	106	..	..
(9) Salems and Cambodia—			
(a) Irrigated Cambodia (staple 1"—1 1/8") ..	113	113	..
(b) Other Cambodias and Salems ..	85	..	..
(10) Punjab and Sind Americans (staple 15/16" —1 1/8").	330	5	..
	Total in 1,000 bales.	324	60

Therefore taking the total Indian crop at six million bales, there will be a two million bale crop of long staple cotton of which 3,20,000 or 16 per cent. may be taken as suitable for warp yarn of 30/36's counts and an additional 60,000 bales or 3 per cent. suitable for weft yarn of 30/36's counts.

Witness No. 33

THE EAST INDIA COTTON ASSOCIATION, BOMBAY

Written Statement dated 13th October 1926

In continuation of my letter No. 342/M/I/3, dated the 8th October 1926, I am directed to say that the Board of Directors of my Association have very carefully considered the questionnaire issued by your Board regarding the Cotton Textile Industry Enquiry and have reached the decision that my Association should confine itself to answering such questions as have a direct bearing on the cotton trade of Bombay in its relation to the Indian textile industry. In conformity with this decision my Association proposes to deal with the following questions from amongst the sheaf of questions embodied in the questionnaire :—

Questions Nos. 60, 61, 62, 63, 93, 97, 98, 99, 100, 101, 116 and 117. I am to submit on behalf of my Association the following answers to the questions referred to above :—

60. Purchases of forward and spot cotton are made by the mills in Bombay subject to and in accordance with the by-laws of the East India Cotton Association, Limited. Liverpool and Japan depend upon exports of American and Indian cottons for their supplies of raw material. The trade conditions regulating purchases of cotton by Lancashire and Japanese mills are dissimilar to those prevailing in the case of India mills as India is a cotton producing country. Lancashire mills are able to buy cotton on call in Liverpool. The system of buying cotton on call exists to a very inappreciable extent in the Indian cotton market.

61. By speculative purchases my Association understands that the Indian Tariff Board means purchases of spot and forward cotton without sale of yarn, cloth or cotton futures. My Association is not prepared to subscribe to the view that speculative purchases of (*a*) spot cotton and (*b*) cotton futures have in any way contributed materially to the present depression in the mill industry. On the other hand they consider that losses consequent upon the mills holding large stocks of cotton could have been somewhat minimised by a freer use of hedge contracts. So far as my Association are aware the bulk of the mills in India have shown no disposition to operate judiciously in hedge contracts with some backing of expert knowledge with a view to reducing their losses on cotton. It may be stated as a matter of trade experience that hedge contracts in force in Bombay have been known to move more in unison with values of spot cotton in Bombay than the single hedge contract extant in Liverpool.

63. Whilst not subscribing to the view that the present depression in the mill industry is attributable to the purchase of cotton at prices higher than those now prevailing, my Association are impelled to the view that having regard to the perpendicular fall in the prices of cotton last year the loss incurred by Indian mills on their stocks of cotton might have been minimised to a certain extent by a freer use of hedge contracts.

93. My Association realizes that transport charges in India are relatively high. In support of this statement I am to enclose herewith a Table (marked A) shewing mileage and rates of freight by steamer for carriage of cotton from Indian coastal ports to Bombay and from Bombay to Shanghai, Japanese and Continental ports. It is obvious from this statement that the cost of shipping cotton from Indian coastal ports to Bombay is higher than the cost for shipping the same either to Europe or Japan in spite of the very short distance and the absence of Suez Canal dues as when going to Europe. My Association desire to emphasize the fact that the scale of freight rates for transport of cotton to Bombay from Indian coastal ports compare very unfavourably with those for export of cotton to Japanese and Continental ports to the disadvantage of exporters of cotton from Bombay.

97. The Association has no views to offer on the proposed abolition of the company super-tax except that they generally favours every reduction in taxation *of any kind.*

98. My Association considers that there is no justification for the retention of the town duty of Re. 1 per bale levied in Bombay. It was in the first instance introduced to pay the cost of building of chawls by the Bombay Development Department. This scheme was to cost approximately 9½ crores of rupees. After about 3½ crores of rupees had been spent it was found that there were already more chawls than tenants and the balance of the building programme was postponed at any rate for some considerable time. My Association considers that if Re. 1 per bale were sufficient to finance a scheme of 9½ crores,

it stands to reason that the levy of a duty of six annas per bale would be sufficient for a scheme costing 3½ crores. My Association, therefore, urges that the town duty be abolished or at least it should be reduced to 6 annas per bale of cotton.

99 and 100. The question of the haulage cost of cotton imports into Bombay has been engaging the attention of my Association and they consider that the present sales of freights charged by railway companies are very high as compared with pre-war years and urge that steps should be taken to bring about a substantial reduction in the same.

116. My Association is opposed to the imposition of an export duty on cotton as they consider that it would not be right to penalize the producer of a raw product for the benefit of the producer of manufactured goods. In the opinion of my Association the income of cotton growers would be affected to the fullest extent of the duty on the total crop grown and not only on the exported goods and would lead to a decrease in the acreage of cotton in India.

My Association do not consider that the levy of an export duty on cotton would affect the price of Indian cotton in overseas markets.

117. My Association is of the opinion that the imposition of a duty on cotton probably would result in replacements of Indian cotton in overseas markets by American or other cotton.

A note on hedge Contracts.—In regard to the question of hedge contracts my Association notes that the Millowners' Association, Bombay, in the course of their reply to question No. 61 of the questionnaire has made the following reply.

> "Speculative purchases of either spot or futures cotton are rarely indulged in by Bombay mills. Usually mills buy cotton against their sales of yarn and cloth, but there is of course a very large speculative element in the cotton trade outside the mill industry. The element of speculation in buying futures could be reduced if there was a single hedge contract, as in Liverpool and New York, instead of the present five contracts.
>
> The Association has made repeated efforts to get the number of hedge contracts reduced, but the progress made to a satisfactory futures market, up to now, has been most unsatisfactory from the view point of the general trader who desires to cover his purchases of cotton and sales of yarn and cloth and not to make a profit by selling or buying cotton when he has no intention of taking up actual cotton."

In connection with this matter I am to say on behalf of my Association that ever since the organization of the control of the trade by the Cotton Contracts Board established by Government under the authority of Bombay Act No. I of 1919 and the taking over of the functions of that body by my Association the question of reducing the number of hedge contracts—a question of vital importance and interest to the cotton trade of Bombay—has been the cause of much heated discussion in the trade. This is not surprising when it is remembered that hedge contracts have been in use in Bombay for the comparatively short period of about ten years. During this period very appreciable progress has been made both in reducing the number and broadening the contracts in use. The strongest critics of the present contracts are unfortunately the important body. The Millowners' Association, whose aim is to have only one hedge contract such as is in existence in New York and Liverpool for American cotton. Such an aim is in the opinion of many members of the trade rather Utopian but would not be workable owing to local conditions and to the widely varying styles of cotton grown in India. It is admitted that the contracts in New York and Liverpool work satisfactorily but this probably is due more to the fact that these markets are very broad being traded in by people in many parts of the world, than that they are ideal hedges for those trading in cotton and cotton goods. Large dealers in American cotton will freely admit that during many seasons they run as much if not more risk in the variations in "grade" differences than they do by fluctuations in the value of their hedge contracts. In fact it is by careful study of such grade differences that most "spot" houses in America make their profits. The advocates of the single hedge contract for Bombay declare they want to prevent manipulation or squeezes. As a matter of experience it is interesting to note that there has been more manipulation and squeezing of the near positions in the New York market during the last three years than has been the case in Bombay during the same period Should a single hedge contract be adopted in Bombay one style would have to be made the basis. The middle value cotton Fine Oomra probably would be adopted as Oomra is the largest Indian crop. This would be admirably suited to most exporting firms, especially the Japanese, but my Association fails to see how it would help the Bombay mills whose requirements are made up mostly of the more expensive staple styles or the cheaper cottons to produce coarse yarn. A study of the differences in prices between these cottons and

Oomra cotton during the last ten years will clearly demonstrate how little protection an Oomra hedge contract would be to a mill manufacturing cloth from staple styles or making tens count yarn from Bengal varieties. The Board of my Association has been giving this question their very serious consideration for several years and continually considering and adopting improvements. They know the rate of progress is freely criticised but the progress achieved has been appreciable, has been sound and has done much to speed up the education in the proper use of " hedge " contracts.

I am also to forward herewith for the information of your Board a copy of the extract from letter No. 4331-G/24 dated the 16th September 1925 (marked B) from the Secretary to the Government of Bombay, Revenue Department, to the President, The East India Cotton Association, Limited, *re* extension of duration of Bombay Cotton Contracts Act, 1922. and also a copy of extract from letter No. 473/GL/1 dated the 8th October 1925 (marked C) from the President of my Association to the Secretary to the Government of Bombay, Revenue Department.

I am also to enclose herewith a statement showing spot quotations (marked D) for popular styles of Indian staple cotton during the past three years as compared with the Broach hedge contracts. These rates are taken from the daily report files of a well known firm of commission agents in Bombay. These quotations are for qualities obtainable on the dates mentioned and here it must be remembered that as the season progresses so there is a decline in the quality of the staple cotton available. In other words cotton bought early in the season would have more value than the prices quoted later.

In conclusion, my Association cannot help referring to one very important factor in connection with the depression of the cotton textile industry, *viz.*, the effect of an exchange higher than *1s. 4d.* and the proposal as contained in the Report of the Currency Commission that the ratio of the rupee should be fixed at *1s. 6d.* My Association understands this is a point which has already been dealt with at length in the statements to you by the Millowners' Association, and the Indian Merchants' Chamber. Both these bodies have given you their views on the adverse effects of the higher ratio of the rupee upon the premier industry of our Presidency. My Association would like to emphasize these adverse effects from another point of view, *viz.*, from the point of view of the agriculturists with whom the cotton trade is so intimately bound up. Cotton forms one of the principal crops of this Presidency and it would not be wrong to say that it is the principal commercial crop. Any change in the fortunes of the agriculturists immediately reacts on the prosperity of the cotton textile industry. Cotton is a world commodity and as the crop produced in this country is less than 20 per cent. of what is produced in the whole world, it is realised that the price of Indian cotton is largely controlled by the prices ruling in markets outside this country. Not less than 50 per cent. of our crop is exported; therefore the price obtainable for the exported portion of the crop the controlling factor in the fixing of the price for the whole of our crop. The higher rate of exchange has hit the agriculturists heavily as the exporter must reduce his price in rupees by 12½ per cent. The effect of this has been to appreciably decrease the purchasing power of the agriculturists and this in turn seriously affects the prosperity of the textile industry as their principal customers are the Indian ryots. Prices for cotton have already fallen to such an extent that it is doubtful if it now pays the ryot to grow raw cotton, and should the production of cotton in India be reduced further Indian mills will be at a further disadvantage as compared with competitors in other countries. My Association do not agree with the view that low prices for raw cotton are conducive to the prosperity of the textile industry, for as remarked above such low prices affect the agriculturists (and this after all is an agrarian country) to such an extent that they cannot afford to buy the manufactured article even on the lower basis. A high ratio of exchange which causes a lower level of price can be considered a form of deflation, and they think it is freely admitted that deflation is seldom if ever conducive to industrial prosperity.

There is little doubt that the high rate of exchange has very appreciably adversely affected the export of manufactured goods from this country. Most foreign markets in which Indian mills' product had been established have during the last few years been lost to goods manufactured in Japan, while that country had the advantage of inflated exchange. Not only this but this difference in exchange has materially assisted the importation of Japanese piece-goods and yarn into this country. At the present moment it is reported that there are considerable stocks of unsold manufactured goods lying in Japan and it is apprehended that much of this may be dumped into India. Such a fear further agravates the lack of confidence in values, and until confidence in values can be re-established we see little prospect of a recovery in trade.

A

Table showing mileage and rates of freight by steamer for transport of cotton from Indian coastal ports to Bombay and from Bombay to Shanghai and also to Japanese and Continental ports

Names of Ports	Distance in Miles	Freight	Approximate rate of freight in rupees for 1,000 miles per ton of 40 cubic feet	Remarks
From			Rs.	
1. Coconada to Bombay ..	1,948	Rs. 13-2-0 per ton of 50 cubic feet.	5·4	Rs. 12·4 average rate from Indian coastal ports to Bombay.
2. Madras to Bombay ..	1,655	Rs. 1-14-0 per bale ..	4·53	
3. Tuticorin to Bombay ..	841	Rs. 14 per ton of 40 cubic feet.	16·6	
4. Calicut to Bombay ..	516	Rs. 12 per ton of 40 cubic feet.	23·25	
From				
5. Bombay to Japan (Yokohama).	5,958	Yen 3·16 net per bale.	2·8	
		Gross yen 4·56 per bale.	3·9	
6. Bombay to Shanghai ..	4,841	Rs. 15 net per ton of 40 cubic feet.	3·1	Rs. 2·7 average rate from Bombay to Japanese and Continental ports.
7. Bombay to U. K. (Liverpool).	6,223	17·6*s.* per ton of 40 cubic feet.	1·9	
8. Bombay to Italy (Venice) .	4,377	17*s.* per ton of 40 cubic feet.	2·6	
9. Bombay to Germany (Hamburg).	6,567	17*s.* per ton of 40 cubic feet.	1·8	

Note.—Rates of Exchange (*a*) Re. 1 = 1*s.* 6*d.*. (*b*) Rs. 130 = 100 yen. One bale = 10 cubic feet on an average.

Conclusion.—From the above statement it is evident that on an average the freight rate for 1,000 miles per ton of 40 cubic feet from Indian coastal ports to Bombay is nearly 4 to 5 times as higher as that from Bombay to Japanese and Continental ports.

B

Extract from letter No. 4331-G/24 dated 16th September 1925 from the Secretary to the Government of Bombay, Revenue Department, to the President, The East India Cotton Association, Limited, re *Bombay Cotton Contracts Act, 1922, Extension of duration of*

4. The Millowners' Association, Bombay, also recommend an extension of the Cotton Contracts Act, 1922, by two years. They state that they are greatly disappointed at the fact that the present constitution of your Association has proved a stumbling block in all attempts at a reduction of hedge contracts. I am to give below the following extract from their letter reciting briefly the developments subsequent to the adoption of the present by-laws of the East India Cotton Association, Limited :—

"4. Proposals regarding the widening of hedge contracts made by this Association were fully discussed at two joint meetings with the Board of the East India Cotton Association. Subsequently the Chairman of the East India Cotton Association invited other members to give their opinion on the proposals of this Association to widen the hedge contracts, and also to adopt the scheme proposed by Mr. V. A. Grantham of reducing the present hedge contracts to four for the time being, and widening these four contracts. But at the General Meeting of the panels of the East India Cotton Association on 22nd June 1925, this motion was thrown out by vested interests specially of muccadums and jethawalas who without understanding the nature, scope and real meaning of hedge contracts voted against the proposed four hedge contracts. In fact, one of the members said that some of them wished to revert

to the old Broach contract as it existed before the formation of the Board or before the war."

The Association trust that the Board of Directors of your Association will use their best endeavours to remedy the existing state of things.

C

Extract from letter No. 473/GL/1 dated 8th October 1925 from the President, The East Indian Cotton Association, Limited, to the Secretary to the Government of Bombay, Revenue Department, Bombay

(*f*) *Widening the hedge contracts.*—Turning now to the millowners' suggestion, this is confined to a desire for widening the hedge contract. In its broadest aspect, this involves or may involve cheaper cotton for the mills and a lower price to the cultivator. The cultivator's financial arrangements and status are at the present stage of his development comparatively so primitive that he is unable to hold his cotton against artificial market depression in order to secure a fair price. Until therefore the cultivator and the upcountry merchant in the course of their development get into a better position to deal with market conditions, it is undesirable to introduce a change, such as this, which might prove detrimental to their interests. In this connection, I am to point out that the Indian Central Cotton Committee at the requestof my Board has undertaken a preliminary enquiry into the question of financial facilities available in upcountry market centres where cotton is marketed and the report of this enquiry is not yet complete and will not be available for some considerable time Till that report is available it appears undesirable to move in the direction indicated by the Millowners' Association so long as the interest of the cultivator and the upcountry merchant is to be kept in view. But there is another point urged by those in favour of widening the hedge contracts, namely, the lessening of the risk of cornering any particular contract. My Association is most anxious to devise hedge contracts, which will not only eliminate the risk of a corner in any particular hedge contract, but will at the same time safeguard hedge contracts against the risk of undue depression by more broadening than can be stood by the present financial condition of the average Indian ryot and of the average middle man handling the raw produce from the field to the factory. To this end a scheme of hedge contracts was suggested by a member of the Association which aimed at linking the various growths together in a manner that permitted fair relationship between the growths thus linked. The Representative Committee, owing to difference of opinion, rejected this scheme by a majority, but the Board have been making further enquiries into the various details of this scheme with the ultimate object of ascertaining whether something useful cannot be devised which will meet with the approval of the members of this Association. Whilst, therefore, my Board are *prima facie* in favour of a broader contract, they also realise this is an intricate problem and they feel that the basis of any change, the time for the first step in such change, and the rate of subsequent progress, are all questions on which genuine differences of opinion exist. Such changes, therefore, should only be introduced as and when our market is in a position to stand up to broader contracts so as not to affect adversely the interests of either the producer or the consumer.

In "broadening the contract" there is danger of "narrowing the market", and my Board understand that the Liverpool Cotton Association when devising the Empire contract was guided by that consideration and kept out lower grades of certain Empire growths from the said contract on the ground that the contract might by including them become too broad and that buyers might not come in readily, thus narrowing the market for the Empire contract.

My Board, therefore, have till now elected to proceed cautiously and consider it wiser to do so and to take the trade with them in the matter rather than to override the majority at the instance of a minority of the trade.

5. Progress has been made in the direction suggested by the Millowners' Association. In 1922 the hedge contracts were reduced from seven to five. The aim of my Board is, as soon as practicable, to reduce the number to four. At present only four out of the five hedge contracts are in operation at any one time.

D

Schedule of Spot quotations for popular styles of Indian Staple Cotton

1924

Date	Nanded	Latur	Coomptha	F. G. Broach	
				April May	New Broach
11th January 1924 ..	675/700		....	626	..
2nd February 1924 ..	650/690		....	618	..
15th February 1924 ..	620/660		....	599	..
1st March 1924 ..	663/583		....	562	..
15th March 1924 ..	580/590		....	569	..
1st April 1924 ..	565/585		....	563	..
15th April 1924 ..	575/600		....	576	..
1st May 1924 ..	565/580		....	567	..
15th May 1924 ..	575/590		....	569	..
2nd April 1924 ..	....		615, 620	561	..
15th April 1924 ..	....		640/650	576	..
1st May 1924 ..	....		635/650	567	510
15th May 1924 ..	....		620/625	569	513
2nd June 1924 ..	....		640/600	..	538
14th June 1924 ..	....		635/645	..	525
1st July 1924 ..	....		610/620	..	514
16th July 1924 ..	....		610/615	..	505
1st August 1924 ..	....		615/635	..	535
15th August 1924 ..	....		605/625	..	523
1st September 1924 ..	....		595/605	..	491
15th September 1924 ..	....		580/585	..	459
1st October 1924 ..	....		585/590	..	478
15th October 1924 ..	....		570/590	..	463
1st November 1924 ..	....		565/585	..	458
15th November 1924 ..	....		575/585	..	483
1st December 1924 ..	....		565/580	..	469
16th December 1924 ..	....		560/570	..	464

1925

Date	Nanded-Latur	P-American	Coomptha	Broach		
				A/May	J/August	New crop
2nd January 1925 ..	....	490/520	....	455	..	..
15th January 1925 ..	....	490/510	....	458	..	..
2nd February 1925 ..	....	485/500	....	454	..	..
16th February 1925 ..	485/510	500/510	....	463	..	..
2nd March 1925 ..	470/500	500/515	....	471	..	..
16th March 1925 ..	470/480	510/525	....	488	..	..
1st April 1925 ..	455/465	480/500	530/535	471	..	..
15th April 1925 ..	445/450	470/480	505/510	454	..	..
1st May 1915 ..	430/440	475/480	475/480	456	..	..
15th May 1925 ..	....	455/460	430/435	438	435	
1st June 1925 ..	....	465/470	425/445	..	432	415
15th June 1925 ..	....	475/480	440/460	..	448	417
1st July 1925 ..	....	480/482	440/460	..	461	433
15th July 1925 ..	....	485/490	440/460	..	454	422
3rd August 1925 ..	....	....	440/452	..	455	424
15th August 1925 ..	....	....	450/460	..	464	424
2nd September 1925 ..	....	....	435/445	..	..	409
15th September 1925 ..	....	....	430/450	..	..	429
2nd October 1925 ..	....	....	420/440	..	..	423
14th October 1925 ..	....	....	400/420	..	..	412
2nd November 1925 ..	....	....	380/395	..	..	379
16th November 1925	....	....	350/390	..	..	389
1st December 1925 ..	....	....	340/380	..	..	379
15th December 1925 ..	....	....	350/375	..	..	360

1926

Date	Nanded-Latur	P-American	Coomptha	Broach		
				A/May	J/August	New crop
2nd January 1926 ..	....	390/405	....	368	..	..
15th January 1925 ..	....	380/390	....	361	..	..
1st February 1926 ..	....	380/395	....	353	..	..
15th February 1926 ..	....	375/385	....	357	..	..
1st March 1926 ..	....	365/380	....	354	351	..
15th March 1926 ..	....	360/388	385/395	356	354	..
1st April 1926 ..	....	360/370	375/380	352	354	..
15th April 1926 ..	....	355/365	370/375	345	350	..
3rd May 1926 ..	....	330/340	345/350	327	330	..
15th May 1926 ..	....	345/355	350/360	340	341	..
1st June 1926 ..	....	345/355	360/370	..	346	..
15th June 1926 ..	....	340/355	365/370	..	341	318
1st July 1926 ..	....	335/345	365/367	..	333	313
16th July 1926 ..	....	335/355	365/372	..	337	320
2nd August 1926 ..	....	355/365	370/380	..	349	328
16th August 1926 ..	....	355/365	365/376	..	346	316
1st September 1926 ..	....	348/363	363/373	..	..	329
15th September 1926 ..	....	345/365	355/365	..	..	319
24th September 1926 ..	....	340/362	345/357	..	..	304

Witness No. 33

THE EAST INDIA COTTON ASSOCIATION, BOMBAY

Oral evidence of Sir Purshotamdas Thakurdas, Mr. Haridas Madhavdas and Mr. W. G. McKee recorded at Bombay on 29th October 1926

President.—You are the Chairman of the East India Cotton Association, I think, Sir Purshotamdas, Mr. Haridas Madhavdas is the Vice-Chairman, is he not; and Mr. McKee is a Member of the Committee ?

A. *Sir Purshotamdas Thakurdas.*—Yes, Mr. McKee is one of our senior directors.

Q. How many years has the East India Cotton Association been in existence ?

A. Five years.

Q. Before that you had a Cotton Contracts Board ?

A. Yes, we had what was called a Cotton Contracts Board.

Q. For how long ?

A. About three years. From June 1918 to 31st May 1922. That would reduce the existence of the East India Cotton Association to 4½ years.

Q. Were there any hedge contracts in existence before the Contracts Board came into being ?

A. There were hedge contracts. In one form or the other the hedge contracts as they are to-day have been in existence in Bombay for years. The details of the contracts have changed. May I explain a little more ?

Q Please.

A. Take the Broach contract which is the most popular. The Broach contract has been in existence ever since the trade started.

Q. Is that so ? I have been told that there was another contract, a more popular contract in the old days when the cotton trade first started.

A. There were three contracts, Broach, Bengal and Dhollera. Dhollera was years back all long stapled and is still in the rules as such. When the Cotton Contracts Board came into being, they widened the Broach contract and it was said that besides Broach so many other things could be tendered, and we went on widening it. But the Broach contract as it exists to-day has in one form or another existed for the last half a century. Similarly regarding Bengals. The original Bengals meant U. P. Cotton. Then U. P. cotton alone could be tendered. Now U. P., Punjab and Rajputana can be tendered. It has been so for the last 15 years or more. Similarly regarding Oomra. The largest change has come in Broach in which we have put in Dharwar and Punjab American. At one time we had C. P. No. I. We took that out.

Q. Where is that now ?

A. C. P. No. I is tendered against what is known as the Oomra contract.

Q. I think the East India Cotton Association, or was it the Cotton Contracts Board started with seven hedge contracts ?

A. Yes.

Q. What were they ?

A. They were first five. Then they were made into seven and then reduced by this Association to five.

Q. What were your seven ?

A. The seven were Bengal Fully Good, Oomra Fully Good and Fine, Broach, Southerns, Punjab American and Khandesh. Later on we put Punjab American in Broach and thus widened the Broach contract, and thus reduced it to five.

Q. Now you have left ?

A. Two Oomras, one Broach and one Southern. Of the five, Fully Good Oomras has never been traded in on this market. It has never been a popular contract. We may almost say that hardly 200 or 500 bales are traded in in Fully Good Oomras.

Q. What about Southerns ?

A. It is traded in to some extent. Dealings in Southerns are comparatively smaller than dealings in Fine Oomra, Fully Good Bengal or Broach.

Mr. Subba Rao.—Three are operating now ?

A. Five nominally. One is almost dead. That is the Fully Good Oomra. Southerns is traded in to a very small extent. But the most popular are in order of importance. Broach first, Oomra second and Bengal third.

President.—The question really is, why can't you recognise what apparently is the fact and at any rate make a beginning or an advance in the direction desired by the Bombay Millowners by reducing the contracts to three ? If one of them is not traded in at all and another only to a limited extent, why can't you definitely reduce the number to three ?

A. That means Bengal, Oomra and Broach. That would mean Southerns should be made tenderable against Broach. That is what it would amount to. To make Southerns tenderable against Broach would give rise to several difficulties. One is that the Broach contract is for April-May delivery compared to the Southerns which comes in mainly after April-May. The bulk of it is marketed in June and August. The difference in variety is fairly great, and what is most important is that we are afraid that we may weaken the Broach contract very materially.

Q. Why is there so little trading in the Southerns contract ?

A. There is very little simply because the people who are most interested in it do not trade in it.

Q. What do they do ? Do they buy it on the spot ?

A. Yes.

A. *Mr. McKee.*—Most of the Southerns is done in the form of delivery contract directly between the merchant and the consumer. We do not use the hedge contract much to hedge this cotton.

Q. Does the buyer use the Bombay market at all ?

A. *Sir Purshotamdas Thakurdas.*—For delivery contracts ? Yes. Most of the mills have their own agents for purchase of this cotton upcountry.

Q. If they have their own agents, the cotton does not pass through the Bombay market at all ?

A. It would in some cases. It is not every mill which has upcountry agents. There are others which do not buy upcountry and buy here on samples.

Q. How many bales are dealt in in this contract ? I think you said only 200 or 300 bales of Fully Good Oomras are traded in. How many of Southerns ?

A. On page 6 of the Bombay Cotton Annual, 1924-25, you have cotton tendered in bales against each hedge contract during the year ending 31st August 1925.

Q. I should like to have it on our record.

A. There you see in Fully Good Bengals the number of bales tendered was 16,700, Broach bales tendered was 23,900, Oomras 8,700 and Southerns 200. So that of the total number of 49,500 bales tendered in the clearing house Southerns was only 200.

Q. Therefore it hardly seems to me worth while keeping it ?

A. That is why I say that the main difficulty is here. It should not in ordinary course make such difference to the April-May Broach contract and regarding the latter contract, namely, the July delivery of Broach contract, it is apprehended by the trade that it would be so broad that it would weaken the contract materially.

Q. I do not quite follow that, Sir Purshotamdas. I cannot understand how by including cotton of which 200 bales only are being tendered in normal conditions, you are weakening the contract ?

A. Weakening the contract in this manner. That cotton actually is in demand for spot or it is not in demand for spot. If the cotton is in fair demand in the spot market, there is no grievance of any kind. If it is not, you make this contract, namely, the Broach contract, as it were a dumping ground for them and it is felt in the trade. There is a very serious apprehension that to broaden the contract to such an extent would practically make the contract a seller's contract more than a buyer's contract. The same argument if extended further will show why we, I mean the cotton trade, have till now been against a single hedge contract. A single hedge contract means that under that contract you would have all cotton tenderable from Bengal and Mattia up to the highest Cambodia and Surat. The difference between these varieties is almost anything between Rs. 200 to Rs. 300 a candy. So that a man who buys the hedge contract does not know whether he is going to get the cheapest or he is going to get the dearest one. You obviously see it becomes a seller's contract and the value of the contract would be depreciating all the time. It has been contended that by a very accurate system of fixing differences between the various varieties one could remedy this. Technically that is quite correct. In practice it would be very difficult and it has been felt by people in the trade and by

the majority if I may say so except perhaps the millowners that the one hedge contract is not suitable for the present conditions in India.

Mr. Subba Rao.—Is the range of variation very much less in America ?

A. The range of variation is I think on the total bigger than in America, in percentage.

Q. I am speaking of the variations you get in prices between one kind and another. Take the best and the worst American. Will it be much narrower than in Indian cotton ?

A. In percentage of value it would be bigger here.

A. *Mr. McKee.*—We do not contend that our hedge contract is an ideal hedge contract. I do not think any ideal contract exists in the world. We contend that our system of having more than one contract gives the trader better protection than he would have under one contract.

Q. Do you mean that it enables the buyers to be surer of what is getting ?

A. Now, suppose a man wants to buy one description. He is risking the variation in price between the cotton he wants and the value of the hedge. And we contend that it is better for the trader to have three hedge contracts so that he can choose his own hedge near value and in quality.

President.—What Mr. Subba Rao was really anxious to get at, and the question I was about to ask was how the difference between the lowest Bengals and the top Cambodia—I suppose they are the extreme limits.

A. Yes, Cambodia or Surat.

Q. Compares with the difference between the "low middling" which is the lowest grade tenderable against the futures contract in Liverpool and "middling fair" which is their top grade ?

A. In percentage of value there is a bigger difference in India.

Q. Can you give the figures ?

A. I cannot, off-hand.

Q. Could you find out ?

A. I could find them out.

Q. There is not only a difference in staple. The American cotton apart from staple is much the same quality throughout. There is much greater difference in quality, colour and texture generally in Indian cotton than in American ?

A. Indian cotton varies much more in length of staple.

Q. Also in other respects the variation is far more than in American. Isn't it ?

A. Certainly.

Q. From these figures it is rather surprising to find that the total amount tendered in bales against each hedge contract only amounted to 49 thousand bales out of a total of how many millions ?

A. *Sir Purshotamdas Thakurdas.*—Thirty lakhs of bales average in the market.

A. *Mr. McKee.*—It can be contended that it is a good hedge contract if you have many tenders.

Q. What inference are we to draw from that ?

A. The point is that people are not using the contract for disposing of their actual cotton.

Q. Does this mean that in 1925 only 49,500 bales were used for hedge contract purposes ?

A. Only 49,500 bales were actually tendered under hedge contracts. There must have been a much larger quantity hedged in the market.

Q. Would you explain that in more detail ?

A. Suppose I am a merchant. I have a stock of five thousand bales of Oomra, and it is hedged. As I sell my cotton either for export or for local consumption I buy back my hedge. It finishes my deal. I may be left with 500 bales which I cannot find a market for. That is tendered through the clearing house against the hedge contract.

Q. Will you explain the mechanism ?

A. The point is many people are trading in the hedge contract. I sell, somebody buys and some body else trades, and when making my tender I tender to the man who might have sold it. He may have sold to somebody else and it goes through a long chain before it finds a man who has got to purchase the thing against a corresponding sale. If there is a good market I may trade in 50,000 bales of cotton and never tender a single bale, using hedge contracts all the time.

Q. Out of your three million bales what proportion would be used for hedging purposes ? Is it possible to get an impression ?

A. *Sir Purshotamdas Thakurdas.*—I will draw your attention to page 7, the last column. The total number of bales tendered each year from 1918-19 is given there. In 1918-19 it was 282,000. In the following year, 1919-20, it was 260,400, the next year it was 723,900, then the next year it was 727,600 and the next year it was 543,300, and in 1923 and 1924 the quantities were small. This shows that there is a special reason for 727,000 bales. That is 1921-22. There were two or three efforts at cornering here and there were enormous operations and therefore enormous tenders. But for three years previous to that there was a quarter of million bales. I think the millowners want to have a contract which would protect them against fluctuations of the value in the market. You need not take delivery or get delivery. You buy a hedge or sell the hedge as the case may be and before the delivery period comes you either have made your profit or got your protection at a small sacrifice and you get out of it. Then you shift your interest to the next hedge month. What Mr. McKee was pointing out was that the fact that there were only 49,000 bales tendered shows that it is a good hedge.

Q. Why are there these enormous fluctuations from 727,000 to 49,500 ?

A. There were three efforts at corners. That is the year in which the biggest corner in Bombay was tried to be carried through and of course failed. That was known as the Omar Sobani corner. There was another corner by Rao Sahib Jesiram but that also failed. So that was an exceptional year.

Q. Were there no further attempts at cornering ?

A. I think in 1921-22 we saw the last corners here.

Q. Then you had 540,000 in the next year ?

A. That was a very big year and people here found that when there was a slack demand they could tender against hedge contract. Where there is average good demand in the spot market people part with their holdings in spot and buy back their hedges.

Q. Was the 1922-23 crop a bigger crop than in the following years ?

A. It does not mean it was bigger. But it means this, that it was found necessary by the people to tender against the hedge contract as perhaps there was not enough demand in the spot market, or hedge contract prices might have been higher.

Q. You consider that the figures for 1918 to 1921 may be considered more or less normal ?

A. Yes, for those years.

Q. Why was it so low last year ?

A. Because last year there was abnormal rain and as a matter of fact I think we had to prohibit trading in Fine Oomra in one or two deliveries.

Mr. McKee.—In addition to that we started the season with a very small stock; and there was a steady demand right through the season and cotton never accumulated. We never had a big stock throughout the season.

Sir Purshotamdas Thakurdas.—Then till last year black leaf cotton was not allowed to be tendered against hedge contract and that of course cut out a considerable portion of the crop. Since this year black leaf cotton has been traded in and the rule has been changed to make it a fair tender.

Q. I do not know that we are immediately concerned with that question, Sir Purshotamdas, but I should have thought it would have a bad effect on the quality of cotton if you allowed black leaf cotton to be tendered.

A. What is to be done when in districts the whole crop is touched by black leaf owing to unseasonal rain. When you cut that out as a fair tender against the hedge contract what you really do is that you depreciate the value of the whole crop. It was after full consideration that it was done, and I think we decided on it almost unanimously.

Q. It would have been a good thing to keep black leaf cotton out I should think.

A. Yes, but there are two sides to it. That was why trading in black leaf cotton was outside the contract, but it was found that in abnormal seasons it played havoc in the districts where there was abnormal rain.

A. *Mr. McKee.*—The thing to do is gradually to broaden the contracts and improve them as the trade is capable of trading in a broader contract. In olden days the bazar particularly liked small narrow contracts. Most traders as a rule in olden days liked to deal in small quantity contracts. You gradually have to educate the people to deal in larger quantity contracts.

Q. In what direction can you improve ?

A. We make improvements every year. Last year we introduced the black leaf clause.

Q. I do not consider that an improvement.

A. It is. If you have a crop of say 10 lakhs of bales in a normal year and the rain comes in at an inopportune time and makes the whole of that black leaf ? This rain immediately renders every bale of that cotton untenderable.

Q. Your point is that by allowing the black leaf cotton to be included in the contract there is less chance of a squeeze ?

A. The buyer gets an allowance for taking black leaf cotton, which has been found in actual practice to be adequate.

A. *Sir Purshotamdas Thakurdas.*—I may say that the millowners do not oppose this and as a matter of fact nobody in the trade worth the name did oppose it. I am told it was passed unanimously.

Q. I was only speaking entirely as a layman. As you know I have been interested in the past in getting cotton on to the market in the best possible condition. It was merely from that point of view I was looking at it. It comes to this then that you practically have got only three hedge contracts as there is one in which there is only a small amount of trading and one in which there is no trading at all. Why not abolish the one in which there is no trading at all ?

A. *Sir Purshotamdas Thakurdas.*—If we abolish it, that is the Fully Good Oomra contract, we could not take that in into the Fine one and in later seasons we still hope that the Fully Good Oomra contract would be perceived by the trade as being one which is not quite useless.

Q. Have they ever used it ?

A. No ; they have not.

Q. Then it is hardly likely to be used ?

A. I will give you an instance. When we wanted to start the Clearing House they all said that it was the worst possible thing for the cotton trade. Now recently I was talking with some of the prominent merchants and I said ' suppose we do away with the Clearing House now.' They said ' if you do away with it there will be no trade at all.' The intervening period has been only six years. A thing which has been run down by the bazaar six years ago as one of the handicaps is now looked upon as a real blessing. I only give it as an instance.

Q. I do not know whether the two cases are exactly parallel. The Millowners and, I rather gather, the East India Cotton Association are anxious to have as broad a contract as possible and this does seem one way of securing that object.

A. No, Sir. Whilst we are anxious to have as broad a contract as possible, we want it also, as we say in our letter to the Government, to be a contract which will not unduly depress the value of the contract.

Q. I cannot see of what use the Fully Good Oomra contract is to anybody.

A. Even supposing we abolish it, I do not suppose the Millowners want us to put the Fully Good Oomra contract into the Fine Oomra.

Q. Are there any dealings in the Fully Good Oomra contract at all ?

A. In the form of contract, none.

A. *Mr. McKee.*—In America the low grades are not tendered—for the same reason as people here do not want the lower grades to go into the hedge contracts.

Q. Is Fully Good Oomras a better grade than the Fully Good Bengals ?

A. *Sir Purshotamdas Thakurdas.*—They are two different varieties. May I read this part ? It is from our reply to the Government of Bombay. " My Association is most anxious to devise hedge contracts which will not only eliminate the risk of a corner in any particular hedge contract, but will at the same time safeguard hedge contracts against the risk of undue depression by more broadening than can be stood by the present financial condition of the average Indian ryot and of the average middleman handling the raw produce from the field to the factory.' That is the reason why we cannot see our way to meet the request of the Millowners.

Q. I rather gather from your replies that you do not consider that the mills make sufficient use of the hedge contracts.

A. That is so.

A. *Mr. McKee.*—That is true.

Q. To what do you attribute that? I take it that they do not consider them wide enough

A. Trading in hedge contracts is a highly specialised class of work. The man who trades in hedge contracts without understanding the proper working of the hedge contract in the market is very apt to burn his fingers very badly. Certain mills in Bombay use the hedge contracts very successfully by having studied the subject in addition to

employing of brokers who understand the trade. But a great many mills in Bombay have not taken the trouble of studying the subject and are not making use of people who could assist them.

Q. The subject is of course a highly technical one. But the point of view that naturally appeals to us is that here is a proposal put forward by the Millowners who after all are deeply interested in a matter of this kind and that fact should, we think, weigh with the East India Cotton Association which is a body out to promote the interests of India. Here is the most important industry in India saying "this would help us considerably": and we are therefore anxious to discover exactly why you cannot help them in the way they ask.

A. One of the difficulties in the way is this, Sir. In trading in a hedge contract you want two classes of people or even three—buyers and sellers and in addition to them you want a strong jobbing section in the trade. Now our jobbing section may not have the advantages of the education of many other members of the trade. But they have been accustomed in the earlier part of their lives to handle these contracts, and they naturally oppose broadening rightly or wrongly, because they fear that if you broaden the contract too much they cannot stand up. They say "we are not strong enough." Now we as a Board or an Association have got to keep the scales even between the actual trading element and the jobbing element who are absolutely necessary to the proper working of the Association. They act as buffers. But if you broaden your contract to such an extent as to make these people afraid of handling the contracts, they will go and there will be no trading at all. Bombay is not such a big market as Liverpool or New York where futures are traded in by people all over the world. They are financially strong and there is a large number of jobbers who are in a position to act as good buffers. But we have a limited number here with limited means and we do not have the outside assistance of people outside the country trading in our market helping to make our market broader.

Q. It amounts to this, that you are really not in a position to help the mill industry in this matter at present, until you have educated the members of the Association a little further?

A. Yes. Our market is not big enough to have a single hedge contract.

Q. I see the difficulties in regard to a single hedge contract. But what does rather appeal to us is the possibility of having three hedge contracts instead of five, one of which is certainly nominal and one very nearly so.

A. In this country as in any other country you have got to make progress slowly but steadily. If we go back to the history of our hedge contracts, we find we have made very appreciable progress in the last ten years. When I came to Bombay fourteen years ago the Broach contract was Broach and Broach only. It did not include Surat, Navsari and others. What does it include now? It includes Broach, Surat, Navsari, Rajpipla, Punjab American, Kalgaon, Cutch and Sawginned Dharwar. From this you will appreciate how much broader that contract is. The old contract probably represented about 3 lakhs of bales. It represents to-day probably about a million bales. Fourteen years ago Oomras or Khamgaon Akola, as it was then known, probably represented 1½ lakhs of bales. Now it includes the whole of the Berar and Central Provinces cotton which in normal years represent a million bales. The same with Bengals. It now includes the United Provinces, Rajputana and Sind Punjab. There again in good years you have a million bales. We have made very good progress. We do not want to take the chance of going too quickly. We do sympathise with the millowners. We want to help them. But we do not want to go too quickly.

Q. I suppose you have no idea as to how many mills are using the hedge contract system.

A. We have a very rough idea. I do not think more than 50 per cent. of the mills are trading regularly in hedge contract.

A. *Sir Purshotamdas Thakurdas.*—That is the maximum I think.

Q. Do they do it themselves or do they do it through experts?

A. *Mr. McKee.*—Most of the people trading in hedge contracts trade through recognised brokers who have been in the market for many years.

Q. What is your point of view, Mr. McKee? Is it that it is unsafe for a mill to use hedge contracts direct and that if they want to be on the safe side they should use a broker?

A. There should be a broker to advise as to the correct hedge.

Q. Would you explain that a little further?

A. It depends on what you are hedging. When you are hedging either against a purchase or a sale you have got to do the opposite transaction. If you are a millowner

and say you will sell 10s yarns the better hedge would be, I should say, Fully Good Bengals. If you bought some staple cotton and you were not in a position to sell your cloth I would say the best hedge would be Broach which more resembles the quality of cotton you have bought.

Q. Even to a layman that seems fairly obvious.

A. There is another objection to the single hedge contract. Because if you have a single hedge contract you must make one basis as in America. Now what would you make your basis if you suggest a single hedge contract ?

Q. Oomras would seem the best basis.

A. Exactly. I would say that Oomras as a basis would be a very bad basis for the Bombay mills. It would suit exporters admirably ; for the Japanese buy most of the Oomra crop. But a single hedge contract with Oomras as basis might be a very bad hedge for a mill wanting staple cotton for making cloth or wanting short staple cotton like Bengal for yarn ; because fluctuations and variations in value between Bengal and Oomras and Oomras and Broach are sometimes very wide.

Q. That is another point of interest, Mr. McKee. Do your 10 grades in America of which 7 are tenderable move in unison ?

A. I do not agree with that.

Q. I was asking you where the difference comes in.

A. The fluctuation in grade in America, I am of opinion, is bigger than in Bombay between hedge contract and hedge contract.

Q. That is rather surprising. I should have thought that in America with your American " middling " you would get all your grades up and down moving in unison.

A. I was in Liverpool sometime back. My agent there quoted a certain style of American cotton in one year at 800 points " on ". The following year the same cotton was sold at 200 points " on ". This was a difference of six pence. We do not get fluctuations like that in Bombay. One year it was selling at 8*d.* " on ". The next year it was selling at 2*d.* " on ". Now what protection was that hedge contract to the merchant who had paid for the cotton at 8*d* " on " and carried it for a year when it was then only worth 2*d.* " on " ? I am trying to explain that even the Liverpool contract is not an ideal contract.

Q. Do you think it would be better for Liverpool to have two or three hedge contracts ?

A. They have. In Liverpool they do have three contracts. In fact they have four contracts. Just about a year or two back they split up their Egyptian contract.

Q. What are the four contracts ?

A. American, two Egyptian and the Empire. A year or two back they split up the Egyptian which then only includes Salkels Egyptian. Then there is the Empire contract. They opened up the Empire contract about a couple of years ago. But even there they stipulate that nothing below the value of " middling " American can be tendered.

Q. Which cotton ?

A. Anything of equal value.

Q. What do they mean by equal value ?

A. Equal in money value.

Mr. Subba Rao.—How long has the system of hedge contracts been operating in Bombay ?

A. *Sir Purshotamdas Thakurdas.*—The system known as hedge contracts has come into being since the starting of the Cotton Contracts Board, since 1918.

Q. Here it is stated that the hedge contracts have been in use in Bombay for a comparatively short period of ten years.

A. That is what I say—eight years. The Broach contract has been traded in for half a century.

Q. The new system has been in operation for about eight years ?

A. Yes.

Q. And you think that mills ought to go in much more for hedging than they actually do ?

A. Yes. As Mr. McKee said, they have not the expert knowledge as it were.

Q. You mean the manufacturer as such should confine himself to the task of production and not take upon himself the burden of the risks on the raw material side ?

A. There is no question of taking the burden. It is a question of hedging himself when he cannot operate in his manufactured article.

Q. I mean the other way. If he does not hedge he is taking upon himself the burden that ought to be passed on to the experts in the matter ?
A. Yes.

Q. And that is the English system. Any spinner as a matter of course is expected not to buy the cotton himself without hedging, but to hedge immediately with experts in the market ?
A. That is the impression out here, that they do employ somebody who can look after this part of their business.

Q. May I read this extract which confirms that ? " For example, one should know whether the profits shown are the result of a fortunate speculation in raw cotton, or based upon the surer and safer method of selling yarn and covering it with raw cotton on the day the order is taken. My contention is that mill directors and managers have no right to gamble in raw cotton or anything else with shareholders' money. " That is the conservative position. But should not something be done to enable the millowners to go in for hedge contracts with a certain amount of confidence ? If they feel just now that this triple contract is putting them to greater risks than if they bought their cotton otherwise, that surely calls for some remedy.
A. The remedy is that they should understand things better than at present.

Q. It is a question of education ?
A. On their own part—getting a little more acquainted than they are at present. I do not think any outside agent can do anything.

Q. I was thinking about the simplification of contracts. Is it impossible ?
A. No; it is not impossible. As I said, the contracts as they stand to-day are good enough for them and whilst they want some improvement, we feel that the time for the improvement has not come about. It is not said that the present contracts put them under a disability in operating in the market and if they feel so we submit that they are under some misapprehension.

A *Mr. McKee.*—There is not much opposition from the big exporting firms to our present system. They trade in them very freely.

President.—You say the exporting houses make use of the hedge contracts ?

A. Yes, very freely.

A. *Sir Purshotamdas Thakurdas.*—The Japanese make use of them to the greatest advantage.

Mr. Subba Rao.—You say a single contract based on Oomras would be more suited to the exporting houses ?

A. Yes, because a single hedge contract would be the Oomra contract and the Oomra contract is not the cotton in which the indigenous mills spin much, whereas it is peculiarly suitable to the exporters who mostly deal with short staple and medium staple.

Q. So that it is in the interests of the Millowners to accept the situation as it is and not press for a single hedge contract ?
A. I am afraid a single hedge contract is not coming at all.

Q. It is to their interests not to press for it ?
A. Yes; especially as they now begin to see that in the prosperity of the agriculturist lies the prosperity of the mills, and a single hedge contract plays havoc in the return to the agriculturist.

Mr. Majmudar.—If you look up page 13 of the Bombay Cotton Annual, you find the difference in price between Oomra and Broach on 4th March 1921. Broach was 270 and Oomra 208. The difference was 62. On 1st April the difference went down to 29, Broach being 255 and Oomra 226. Then as you proceed further, on 24th June the difference was 26.

President.—On July 8th the difference is 5½ and on the 29th it is 1.

Mr. Majmudar.—Yes; it is this variation in the prices between Oomra and Broach that the Millowners complain of and they attribute that to the small quantity tenderable.

President.—The figures of 25th August are most striking. You go from *plus* 62 to *minus* 35.

Mr. Majmudar.—On the 27th May Liverpool was 8·49 and on 24th June it is 7·61. In India the price of Oomra rose from 283 to 302, while the price of Broach remained constant. It is argued that due to the small number of bales that could be tendered against each contract, the prices in India are manipulated to a very great extent.

A. I think I can reply to that very shortly. This is the period which refers to the corner. There was a corner in August and September. The statistical position of cotton here was fairly strong and was to a certain extent supported by a steady market in America. Eventually the speculator came to grief. These things happen in every market and I submit that the Tariff Board should cut out this difference for the purpose of comparison as being an extraordinary period,—the cotton markets even in organised countries like America being liable to the variations in the market.

A. *Mr. McKee.*—In March 1921, we were in the worst of the postwar slump that year. There was a particularly good Oomra crop. Later in the year owing to a big supply, and a surplus supply of cotton in America they appreciably reduced the average and that was followed by unfavourable weather starting from the middle of August, and from the middle of August to the end of September there was advance in New York of 8 cents a pound which materially assisted the bull element here.

Mr. Majmudar.—If you turn to page 20, on December 19th of 1924 the prices were 456 and 438—a difference of Rs. 18. And then if you go to January 2nd the difference was Rs. 10. On January 9th it is the reverse. Oomra was Rs. 3 higher. On 23rd January Oomra was Rs. 11 higher and again on 30th Oomra went down. There also you find that on 2nd January Liverpool was 13·34 and on January 23rd it was 12·85; whereas in the case of Indian cotton, Broach went down by Rs. 5 but Oomras appreciated by Rs. 6. It is this constant variation and this constant manipulation that could be stopped if a single hedge contract were introduced.

A. *Mr. McKee.*—The time you refer to now was the last year in Bombay when we did not allow black leaf Oomra cotton to be tendered. The result was as the contract neared maturity on the 25th January the contract strengthened appreciably. It was to avoid squeeze such as took place on January 25th that later in the year we introduced the new rule allowing black leaf cotton to be tendered. On the opposite side—page 21—you notice we have stopped trading in Oomra contract because black leaf cotton was not tenderable. You notice that after the second line. Was there a squeeze then ?

Q. It only proves that owing to the small quantity of Oomras that could be tendered there was a greater likelihood of a squeeze.

A. *Sir Purshotamdas Thakurdas.*—How can you help it ? If there is a freak of nature, if there is unseasonable weather ? What happens in America when there is killing frost ? Twenty per cent. of the crop is practically killed. There is a squeeze and there is a rise in price. No Association can help that.

Q. The prices of all the varieties ought to move in unison. There is no reason why a shorter staple should be quoted at a higher price than a longer staple ?

A. It must be so if the shorter staple cotton is in demand.

President.—I understood Mr. McKee to say that that is not the case in America.

A. *Mr. McKee.*—According to the supply and demand.

A. *Sir Purshotamdas Thakurdas.*—It must happen in every country.

Mr. Majmudar.—It could not happen that a short staple cotton would sell at a higher price than a longer one.

A. *Mr. McKee.*—I know of a case where rough Sind was sold at a farthing on "middling" American.

A. *Sir Purshotamdas Thakurdas.*—It is a question of demand and supply.

Q. Which quality ? Is it used for special mixing ?

A. *Mr. McKee.*—Yes.

Q. That was the reason.

A. The buyer had to have it.

President.—That is your point. The fact was that there was a demand for it ?

A. Yes.

Mr. Majmudar.—Was the production of that quality small ?

A. *Mr. McKee.*—There was a very big production—150,000 bales or more.

Q. Evidently available quantity in Liverpool on that day must have been very limited.

A. *Mr. McKee.*—The Millowners here hold up the American contract as an ideal contract. They have squeezes there. Here is a list of quotations between July and October in New York. (The list * was handed to the President). These are the same cotton for two deliveries in New York. You see the variation in prices.

President.—What is your present point ?

A. I am saying that there are squeezes in the ideal market in New York where there is a single broad contract.

* Annexure "A."

Q. Are you referring to variations from year to year ?
A. No, these are the quotations of one day for the delivery periods—July and October.

Q. Yes, there is a difference.
A. Of 5½ cents in one case.

A. *Sir Purshotamdas Thakurdas.*—I think Mr. Haridas Madhavdas would give a reply if Mr. Majmudar wishes to follow it up.

A. *Mr. Haridas Madhavdas.*—Mr. Majmudar asks how is it that short staple cotton is being sold at a higher price than long staple cotton. Even to-day the case is the same. There is some stock of long staple cotton while the short staple stock is very small. So staple cotton is being sold a little bit cheaper, even to-day.

Mr. Majmudar.—The Long staple cotton may be dirty or of poor quality.

A. It is the same cotton which two months ago used to sell Rs. 20 higher.

Q. Am I to understand that although the staple is better it sells at a lower price ?
A. Sometimes, according to supply and demand. You cannot have a hard and fast rule for that.

Q. Although it is nominally a better staple, the quality available in the market may not be of the right staple as before.
A. No, the same quality was about Rs. 20 higher two months ago and to-day the same quality is Rs. 10 lower.

A. *Sir Purshotamdas Thakurdas.*—You pointed out why Oomra went higher than Broach and Mr. Madhavdas gives you a concrete instance that two months ago that what was considered to be staple and was actually being sold at Rs. 20 higher than short staple cotton is to-day selling at Rs. 10 lower.

A. *Mr. McKee.*—That frequently occurs. Suppose you have 12 exporters and you have got 3 lakhs of bales. Each exporter sells 10 per cent. of the crop out of the country. No. 1 exporter does not know the exact extent of the other exporters' trading and it may be that by the time they have finished their trading they have sold 20 per cent. more cotton than actually exists. What is to happen ? This cotton goes to a premium over other descriptions which normally would be worth more money. They have to meet their contracts.

Q. It is a corner.
A. Yes, the market has cornered itself through oversales. That is what almost happened eighteen months ago with our Broach.

A. *Sir Purshotamdas Thakurdas.*—All that I wish to submit is that in considering any questions of the nature quoted by Mr. Majmudar, the Board might ask us to explain what was the special reason that led to this extraordinary state of affairs and at least agree with us that what we advise is for normal course of events and not for abnormal or unseasonal circumstances where an unduly short supply or an unduly large demand from any quarter upsets the position, in which case Bengal might go over Oomras. That does not mean that the devising of a single hedge contract is perfect. It only means something else.

Mr. Majmudar.—If it be really due to the shortage of crop, there is no reason why prices should fall as soon as the time for delivery is over as happened in this case in 1924-25.

A. *Mr. McKee.*—Quite easily.

Q. On January 23, Oomras was 465. It went down to 447 on 30th January. It does not prove the case of a very short supply. It is only a case of a squeeze. Immediately the time of delivery was over the price went down.
A. *Sir Purshotamdas Thakurdas.*—If I may point out to you Rs. 465 on January 23rd and Rs. 447 on January 30th (quotation for March) is not for the same thing. Let me just point out to you that it is not the accurate way to look at it.

Q. It only shows that the same cotton hedged for delivery in March would be sold at Rs. 447.
A. *Mr. McKee.*—This happens everytime if you find a larger quantity for sale for the later delivery. Does it surprise you if the next delivery is Rs. 20 lower, if there were heavy commitments in January.

Q. That only shows that due to the small quantity of cotton tenderable the price had been put up.
A. Due to the small quantity of cotton which has arrived in Bombay. It may be a late crop, it may be that only a small number of wagons was available. Surely you cannot put that at the door of the Cotton Association or of the contract.

President.—I think you can put it at the door of the contract.

A. Why sir ?

Q. Your contract is so small.

A. The contract is so small owing to other reasons. This difficulty might have taken place in spite of having a broad contract. The same extraordinary circumstances might have affected it.

Q. If you had a broad contract the whole field would not be affected to the same extent as in an instance like this where one special grade of cotton only is affected.

A. *Mr. McKee.*—Fluctuations in price; sometimes fluctuations in varieties.

Mr. Majmudar.—It is not a question of different varieties. It is only a question of different months.

A. For the whole crop ?

Q. That depends on the future crop. In the month of October, the crop reports are out. If the future crop is reported to be better or poorer, the price for October delivery will be lower or higher. That has nothing to do whatsoever with the case under discussion.

A. *Mr. Haridas Madhavdas.*—In July it was 3 cents higher and in October 3 cents lower. Is it not a squeeze ?

A. *Mr. McKee.*—In October more cotton is available. Just the same way in March. There will be more Oomra cotton available.

Q. It means practically then that Oomra crop would be available to a greater extent in March than in January.

A. *Sir Purshotamdas Thakurdas.*—In October, American cotton is available in larger quantities than in July. Why are you not prepared to give credit for the same considerations which you give to American ?

Q. In the case of American, there is only one contract.

A. Whilst you admit you can give that consideration you do not admit that the same considerations could prevail here.

Q. It is a different thing.

A. With all deference to you I may say I do not see the difference. We point out to you that in what you consider to be the ideal market there is a difference of 2 cents in different months.

President.—These differences are....

A. Between different months.

Q. Between different months at the same time so to speak. Are not they ?

A. So are these.

A. *Mr. McKee.*—If you had the corresponding quotations for March at that time it will show that in that year it was quoted at a discount.

Mr. Majmudar.—These quotations are for the same cotton.

A. *Sir Purshotamdas Thakurdas.*—And so are these.

Q. What I am showing is the comparative prices of Broach and Oomra. If you show the comparative prices of American varieties and show that there are such variations as these.....

A. What we have been discussing is the difference between Rs. 465 and Rs. 447. You started the question why it was Rs. 18 lower.

Q. What I compared was the parity between Broach and Oomra how Oomra has gone up and again has come down as soon as the time of delivery was over. It only shows a squeeze.

A. *Mr. Haridas Madhavdas.*—That is a question of supply and demand. You just now asked if we could show the same difference in America. In American cotton one time the difference between "middling" and "fully good" is 2*d*. Next time the difference is 6*d*. Similarly, the difference between Broach and Oomra may be Rs. 10 and at another time Rs. 40.

Q. But will you contend that a longer staple cotton in America will sell at a lower price though the quality is the same as a shorter staple cotton ?

A. According to supply and demand.

A. *Mr. McKee.*—Under certain peculiar circumstances, yes.

President.—Have you ever known such a case, Mr. McKee ? Have you ever known of a case in which let us say, " middling " sold at a higher rate than " good middling " ?

A. *Mr. McKee.*—I do not know of any particular case. I can visualise circumstances under which it might happen in a big market.

A. *Sir Purshotamdas Thakurdas.*—Where is it that Oomra is sold higher than Broach ?

Mr. Majmudar.—On the 23rd January.

A. The difference between the two is this, that on 23rd January the quotation that Mr. Majmudar refers to is for quotation for delivery on that day. The Broach one is for delivery on 25th May. Can Mr. Majmudar compare these, Sir ?

Q. You see the period previous to that. In December what was the position ?

A. *Sir Purshotamdas Thakurdas.*—I am afraid Mr. Majmudar is raising a point which takes me to the next one. I want to discuss this fully.

President.—We have got to get to the bottom of it.

A. Then I take it that he sees my point that he cannot compare the two. One is for spot and the other is for delivery two months later.

Mr. Majmudar.—The point is about the difference between the prices of the two.

A. I submit that you cannot compare Rs. 454 and Rs. 465. One is spot and the other is for delivery on 25th May. If Mr. Majmudar says that they are not comparable we can then go to the next. The quotation taken is for January 25th. If the 24th and 25th were holidays then it would be for actual delivery of cotton on that day.

President.—Your point is that Rs. 454 was for delivery in May and Rs. 465 for delivery in January.

A. Within two days or on that day as the case may be.

Q. Therefore strictly speaking what you should compare is your Rs. 454 with what you can get for Oomras in May.

A. There is no May but even in March it was Rs 447.

A. There was a little confusion which I was anxious to clear. Now we can go to the next point.

Mr. Majmudar.—So far as I am concerned I do not find the difference in the values of the two kinds.

A. The difference is in delivery.

Mr. Majmudar.—Although I do not agree let us proceed further.

A. If you want to probe this to the bottom I am at your disposal.

Q. Take January 2nd. It was Rs. 459 and Rs. 449. Liverpool was 13·34. On January 23, Liverpool went down to 12·85 and Broach came down by Rs. 5—from Rs. 459 to 454. Oomras went up from Rs. 449 to Rs. 465 in spite of the fall in Liverpool as well as in Broach.

A. It is possible. I do not think any one of us is able to say whether Oomra position was not oversold.

A. *Mr. McKee.*—We cannot compare prices between Bombay and Liverpool and say because of a drop in Liverpool in a particular month we must have a corresponding drop in Bombay. If Mr. Majmudar looks up two years ago he will find the difference between American and Egyptian futures in Liverpool fluctuating from 6*d.* to 16*d.* inside of three months. You might as well compare American and Egyptian as compare Liverpool and Bombay.

Q. Do you suggest that the price of cotton in India does not move along with the price in Liverpool ?

A. I do not. They do over a long period, but for short periods they may go in entirely opposite directions.

Q. Even assuming that to be your explanation how do you explain the increase in price of Oomra against the decrease in price of Broach during the same period ?

A. *Mr. Haridas Madhavdas.*—Because there were few Oomra tenders that time.

A. *Mr. McKee.*—It shows Indian cotton for the time being was not moving simultaneously with American cotton.

Preisdent.—Mr. Majmudar's immediate point is why on January 23rd the price of Broach went down from Rs. 459 to Rs. 454 and Oomra's went up from Rs. 449 to Rs. 465.

A. But these quotations are for delivery at different times.

Q. Your point is that it is not strictly comparable for that reason ?

A. Yes.

Q. What you want to compare is the spot prices for the two ?
A. Yes.

Mr. Majmudar.—If you go further, on March 20th, the prices are practically firm—Rs. 471 and Rs. 477.

A. *Sir Purshotamdas Thakurdas.*—Then you see the blank there, and that means that further trade was prohibited.

Q. Was there a squeeze ?
A. That shows there was no cotton available. If you like, I can send you copies of notices which the Board must have put up and which will give you the reason.

Q. My point is that if various qualities of cotton could be tendered against one contract these difficulties would not arise.
A. *Mr. McKee.*—The cause of the position which arose at that time was this. There was plenty of cotton there but it had been touched by rain and according to our rules black leaf cotton could not be tendered. Then we introduced the black leaf clause in our Rules.

Q. Due to shortage of crop of particular cotton and such other reasons such positions arise. Therefore if one hedge contract is introduced, there will be less chance of such positions.
A. *Sir Purshotamdas Thakurdas.*—As if the only motive of having trading in cotton is to prevent such squeezes and none else. What about the value available to the cultivator? Is not that a material consideration ? Why look at only one point ? We are prepared to admit that in case of any freak of nature or anything like that, were you to make the cotton of the whole world tenderable there could be no squeezes, but surely that is not the whole aim. The aim should be to treat all equally as far as possible.

Q. The mill industry suffers to a great extent due to these very wide fluctuations : that is the complaint.
A. This Association is not only for the purpose of protecting the millowners but also to see that the ryot is able to market his crop in a manner which will assure him a fair return.

Raja Hari Kishan Kaul.—You think these different contracts are advantageous to the farmer ?

A. One contract would ruin the farmer. It would as I said mean tendering for one quotation and cotton would be ranging from Fully Good Bengal and Superfine Navsari between Rs. 200 to Rs. 300 a candy.

Q. But there is always a parity between these various types ?
A. Differences have to be fixed, but in practice it is most difficult and the trade feels it but if you can convince the trade that it would help, the one hedge contract would help, that single hedge contract would be a seller's contract and very few buyers would touch it.

Q. That is exactly what I have not been able to understand. Why should not the buyers touch it ?
A. Supposing the average rate of Oomra is Rs. 200. Then you should know whether you would get Rs. 50 lower Fully Good Bengal or Rs. 120 higher Navsari. The buyer does not know whether he should be prepared to make payment at Rs. 150 a candy or Rs. 300 a candy.

President.—The differences are far too wide ?

A. Yes.

Raja Hari Kishan Kaul.—Won't he know by experience how much it is below or above ?

A. The buyer does not get what he wants. The buyer has to take what the seller tenders.

Q. That is where the call comes in.

A. Call business has been kept over for a later time. I may point out to Mr. Majmudar that it should be for the best interest of all. While we admit that a freak of nature or something else may take place and upset calculations there are also other considerations which at the moment have made the Mil-owners' demand out of place for us.

Mr. Majmudar.—The point has been raised about May 27. On May 27th for Broach July/August delivery it was 327 and for Oomra July delivery it was 283—a difference of about 44. For the same deliveries on July 22nd they were 351 and 345—a difference of Rs. 6.

A. That is the Omar Sobani corner. This is the corner where he weighed over the cotton. It is because he succeeded in this partially that he tried a bigger one in January which broke him.

Q. But still the number of bales tendered in 1920-21 was 273 thousand and in 1920 it was 260 thousand and in 1918-19 it was 282 thousand.

A. It was the year when Omar Sobani ran that corner with fair success.

President.—When does your year commence ?

A. The year is from 1st September till 31st August.

President.—One other point which is raised by the Bombay Millowners' Association in this connexion was the question of the contract being open to two or three deliveries only. They say that in Liverpool and New York their contracts are open for different months' delivery—12 months ahead—whereas in Bombay the contracts are open to two or three deliveries only. What are your views on that ?

A. *Mr. McKee.*—Our market is not broad enough to support many deliveries. There is not enough trade. The first man to gain would be the millowner.

A. *Sir Purshotamdas Thakurdas.*—But even in Liverpool while technically they have it every month, it is recognised that certain months are big trading months. The other months are more or less nominal—an occasional dealing in 100 bales.

Q. What is the point of the contract being open for delivery ?

A. Now we have December and January for Bengal. What they want is to have it for each month. Technically it may be so. But in practice there will be no objection to it. It will be the same as the present, because the man who wants December and January contract when he gets out of it, likes to get into the same thing because he can watch for two or three months. It will cost him more brokerage to turn from one delivery into another. On page 270 (Schedule A) in this book—Bombay Cotton Annual, 1924-25—these are the intervals given. December/January. The man who is nearest his contract before 25th January goes into March and it gives him the whole of February to watch the market. From March to May there is again an interval of one month. Again from May to July there is one month's interval. You could put up also June ; but it is practically no good.

A. *Mr. McKee.*—With the addition of October these are the months in Liverpool and New York. Nobody ever chose to trade in November or February. You can if you want to. The jobber would oblige you but to his advantage financially.

Q. You hold that really the contracts here correspond with those in Liverpool ?

A. *Sir Purshotamdas Thakurdas.*—Yes, as far as the active months are concerned.

A. *Mr. McKee.*—Because we have not the trading all the year round. For instance there is no trading now in Bengals for March. Our market is not broad enough to support all these trading months. It is not a big enough market.

Q. Then we come to the question of cotton on call.

A. The call system was devised in the American markets by merchants who understood the use of hedge markets for the benefit of millowners and others who did not understand the use of hedge contracts. That was the origin of the " on call " system. A millowner, say, uses a particular grade. He wants to secure the supplies of that particular grade. But he is not sure what the market will do. So he buys from a merchant cotton of that grade for delivery at a certain time at a certain specified price " off " or " on " the hedge contract. He does not call his cotton but fixes the actual delivery. Suppose the market is 8*d.* and you are a millowner and you want to get a certain cotton. You will say ' I will secure my requirement of that particular grade. Now if this merchant can sell it to me I will buy a thousand bales. ' You wait until such time as you could sell your cloth and yarn by which time the market may be a little lower. You ' call " and your merchant buys in the futures and gives you your contract on the basis of the purchase of futures. The system in Bombay is that the millowner would have got his cotton at 8*d.* and thinking the market was going down, he would have to do the hedging himself. But in Liverpool and other places a lot of merchants understand the handling of hedging better than the manufacturers. So the manufacturers choose to buy on call and let the merchant run the risk of the hedge.

Raja Hari Kishan Kaul.—I am not able to follow that.

A. I am a merchant and you want to buy a particular grade. I immediately buy the actual cotton and I sell futures against it. I simply wait till you want the cotton at the price at which you want. When you tell me to fix the price I buy my futures and give you the cotton.

President.—I am rather looking at it from the point of view of the millowner. Worked out entirely from his point of view, what is his first step ?

A. The millowner wants a particular grade for making a particular style of yarn. The merchant quotes him a particular price for that grade in relation to the price of futures. Suppose futures are 8*d.* He says it costs 25 points " on " 8*d.* But he does not choose to buy. So he buys it on call.

Q. Supposing that happened, we will say, in October and then in December the merchant has sold his yarn or cloth and he wants some cotton ?

A. He knows that he can sell his yarn and cloth on the basis of using cotton at a farthing over the price of the futures. He makes his calculation correctly. As soon as he sells his cloth he says to the merchant ' fix my cotton. I call my cotton at to-day's market rate ' ; and he gets it on the basis of the futures price of that day.

Mr. Subba Rao.—It is a question of fixing what is the compensation price and nothing more ?

A. Exactly.

President.—How does he gain ?

A. He gains in this way ; that if he had bought cotton outright he would have to sell ahead. He is not an expert to sell ahead and he may make a bad hedge.

Q. But the point which I am not quite sure about is why cannot he wait till he sold his cloth. Supposing he sells his cloth or yarn in December, why cannot he buy spot cotton in December ?

A. Because the quality which he wants in December is available in October. He may fear it will not be available in December or if it is available he may have to pay a higher price for it. The premium in December may be higher. On the other hand, he can secure his quality which he knows he will get in December and he suffers no brokerage. If he has bought outright, he will have to pay brokerage when hedging.

Q. He makes absolutely certain of getting the quality he wants at the time he wants it and pays this farthing or so extra for it. It other words it is an insurance.

A. It is considered to be worth a farthing more.

Q. Is that system in vogue here ?

A. It is gradually coming in. There is more business done in the last three months than ever before.

Q. Do you consider an extension of that system would avoid all risks to the mills ?

A. I do not think a mill will ever be able to avoid all risks.

Q. At least minimise them. Do you consider from the point of the view of the mills that this is a better system than the hedge contract system ?

A. No ; I do not. One is as good as the other so long as the person trading understands what he is doing.

Q. But for people who are not experts in hedge contracts it is the safer system ?

A. Even if he is trading on call cotton, he has got to understand the system of working hedge contracts. I may quote call cotton at so many rupees " on " Broach. The " on " difference may be 30. He might say " no, I will at 45 on Oomra." The difference between Broach and Oomra may be different in another two months' time. So that the man who is buying on call must know what he is doing.

Q. It rather looks as if the call system is a system to work when you have got one hedge contract rather than when you have three ?

A. Except that there is always the danger of too much call business being open in one month which creates a shortage of contracts which has got to be covered. There was a good instance in New York about a year ago when there was a tremendous shortage. One broker went on buying this contract with the result that he created a corner or squeeze. That is the report. Whether it is correct or not, it only goes to show what could be done.

Q. What we really want to know is how far we should be safe in recommending the Millowners to make a more extensive use of this cotton on call system.

A. I would recommend them to use it provided they understand it themselves—the method of utilising the hedge contracts. If they place themselves in the hands of reliable merchants or brokers who will guide them then there is no objection.

Raja Hari Kishan Kaul.—When a millowner buys on call the merchant secures that particular variety of cotton and hedges against it until the purchaser calls for it ?

A. He may or may not. But ultimately he has got to secure. He may not secure immediately. He takes a merchant's risk. He may buy today or a month later.

Q. Then when the millowner calls for the cotton and the merchant has not got it in hand, has he no difficulty in securing it ?

A. Now I sell you cotton for delivery in January and I say so many points on January contract. You may call that cotton in November. You do not get the cotton in November. By calling it you call the price. You do not call the actual cotton. You will not get the cotton before January. By calling, you call the price. You do not call the bales.

President.—Then you are running the risk of the market between the date you call and the date on which you actually want the cotton ?

A. When the call is made the time of delivery is fixed.

Q. But the prices may alter between the time of call and the time of delivery and you may gain by actually buying your cotton in January rather than by calling the price in November.

A. Yes, or you may lose. The merchant knows about it better than the millowner.

Q. Does the merchant advise the millowner as to the time of the call ? Does the merchant say 'you had better call the cotton now' ?

A. If the millowners are not going to gamble, I would suggest they should do this when they sell their cloth or yarn.

Raja Hari Kishan Kaul.—The millowner gains by being able to fix the prices whenever he is ready and the merchant takes the risk of having to buy cotton at a higher price if the market goes up.

A. But he knows how to protect himself.

Q. The purchaser does not ? And the purchaser secures the variety that he wants for his use. The merchant stipulates to supply him that variety at a particular time ?

A. Exactly.

Q. I do not quite understand how it is easier with three contracts. Do you mean that there is less risk in three contracts than in one contract ?

A. I want to sell some cotton at Rs. 30 on Broach. But if I held the opinion that Oomra will become relatively cheaper than Broach I would be taking an advantage. I do not hedge in Broach but I turn to Oomra because I think I gain. Suppose I would immediately hedge it and instead of hedging it in Broach which is the contract being used I hedge it in Oomra. If the difference between Broach and Oomra widens a further Rs. 10 and I gain.

Q. There are less chances of fluctuation and variation if there is one contract than if there are two or three contracts which go on varying in different proportions.

A. No; you see the trouble is this. If you have a single hedge contract you must make one style as your basis and the value of that one style is the basis price of your contract. Other things vary up and down with it. But that is the price and the value of the contract. If you make your contract one single contract and make fine Oomras the basis, on its due date the value of the contract would be the value of spot fine Oomra, whether the Broach is worth Rs. 50 or Rs. 70 more.

Q. How would that injure the cultivator or the producer ? Would that be to the disadvantage of the cultivator ?

A. *Sir Purshotamdas Thakurdas.*—Supposing you have November delivery. The first is November delivery. The whole of the cotton in Bombay would come on for tender during that one month and in view of the financial facilities available either to the commercial or agricultural community it will depress.

Q. You would have as much for delivery in November as comes into the market.

A. Therefore all the cotton in Bombay will be available for delivery in that one month.

Q. You have now so much of hedge A, so much of hedge B, and so much of hedge C—so many bales. Then under a single contract you will have the whole of that available for tender.

A. The difference should be that, unless you have buyers for at least half of that quantity the men who have sold the half will go on pressing the market.

Q. But would not the buyers of contracts A, B and C as at present—who would have bought so much percentage of A contract, B contract and C contract—be available in the market to purchase the cotton out of this joint stock ?

A. But there will be the additional uncertainty. The man A wants a certain stuff; B wants a certain stuff. B does not want A's stuff and A does not want B's stuff.

Q. You say there is a relative value fixed, so if a man buys on call and says 'I want so much above your middling' (or whatever you may fix as the basis); it will mean say Oomra of a particular quality. Why should it make any difference ?

A. On the call business the profits are very little today.

Q. There is the question of what we should recommend.

A. Until the call business develops further you have to realise that it would press on the market. When the call business develops to such an extent that most of the mills working in Bombay would secure cotton on call there should be some difference. I don't say there will be much difference. But at present it is impossible because the call business is practically very little now and is very little operated on.

Q. Let us suppose it is operated on, would it not be feasible ?

A. The total requirements of the Bombay mills are 10 lakhs. The total receipts into Bombay are 35 lakhs. Of the total of 10 lakhs very nearly half is bought upcountry by the mills. So the other half or one-seventh of the total is taken by the Bombay mills, out of which half or 1-14th of the total can be taken on call—that is, 6 or 7 per cent. Therefore that won't make much difference. What really is the drawback is this—the numerous varieties of cotton which come into Bombay—they vary from a difference of 200 to 250 between the lowest and the highest, and also the uncertainty of the buyer. You may have bought a hedge contract when you sold 100 bales of Bengal. You get delivery of Navsari. What happens ? You have to operate with it whatever the value of it may be and you have to secure 100 bales in the market in addition.

Q. But should we not leave out the quantity that is exported ? The exporters purchase certain varieties of cotton.

A. Leave it out; then there is nothing in Bombay.

Q. If you are dealing with the local purchaser who wants your 7 lakhs of bales of cotton....

A. I said one-seventh and not 7 lakhs of bales.

Q. Say 5 lakhs. The balance is 30 lakhs which goes out.

A. No. 35 lakhs come to Bombay and 10 lakhs are taken by the Bombay mills.

Q. Out of which 5 lakhs are purchased on call and the other 5 in other ways. Is that so ?

A. Thirty-five lakhs come into Bombay of which 10 lakhs are used by the local mills. The other 25 lakhs have either to lie in stock or be exported. Of the 10 lakhs which are used by the mills, half, that is, 5 lakhs, are bought upcountry. The other 5 lakhs, that is, one-seventh of the total arrivals of cotton into Bombay, is to be taken either by call or spot or by hedge.

Q. So because it is very small you say there is no margin for mixing up the whole of this hedge contract ?

A. This 5 lakhs which the Bombay mills want either by call cotton or by buying in the ready market or by hedging is such a small percentage of the total quantity which has to be turned over in Bombay that it would not make any material difference whether you have one or three hedge contracts. What really matters is how are you going to help the marketing of the balance of 25 lakhs of bales and it is a guiding factor to the marketing of the total Indian crop. The Indian crop is marketed on the quotations of Bombay and if the quotations in Bombay are based on some scheme which is recognised as leading to depression of that quotation owing to the uncertainty of the buyer as to what he is going to get, it will possibly be ruinous. Your question was how it is ruinous to the cultivator. That is what I was trying to answer.

Q. May I just put it again so that I may see whether I have grasped your meaning correctly ? You say that the exporter does not know what he is going to purchase unless he purchases in one of these various hedge contracts, unless he purchases Oomra or Broach or Bengal. The export being the main portion of the disposal of the crop of India, it is material to the farmer that his produce should be disposed of to the best advantage and you say that the present system is the most suitable one and most lucrative one from his point of view.

A. The best is only one. India grows three varieties, short staple, medium staple and long staple. Bengal is short staple, Oomra medium staple and Broach is long staple. Broach and Southern you may put together. To jumble up all and put them into one would be really undesirable, because a man who wants a couple of hundred bales of short staple cotton cannot hedge for fear that he may get long staple.

President.—I think what is worrying the Raja Sahib is that he has got to buy cotton any way. He must buy. Your point is that if you have one hedge contract he would be unwilling to buy and that this unwillingness reduces the demand obviously and that depresses the market ?

A. Yes and if there is anybody who wants to sell 500 bales, he finds that there is no demand.

Q. But the buyer has got to buy. How is he deterred by the fact that those conditions exist ?

A. This Association being a monopoly at the moment under the Government Act he must abide by whatever the Association lays down. But the Association wishes to lay down only what the buyer can with an easy mind act on. It is positively wrong that the Association should use its authority which at present is vested in it to lay down something which is not convincing to it.

A. *Mr. Haridas Madhavdas.*—If the buyer is handicapped to buy in our market he will hedge in America. We will lose our business.

Raja Hari Kishan Kaul.—Ordinarily it does not pay him to go and buy there.

A. Why not ? It is mere hedging. If you make an absurd contract or a difficult contract here they may hedge there. So why should we make our hedge absurd ?

Mr. Majmudar.—We have seen occasionally cotton goes down in Liverpool but it goes up in India.

A. Occasionally the reverse also happens.

Q. As long as the Indian and Liverpool markerts do not move together, it will pay him to hedge in America.

A. In a similar case if the reverse happens he will lose in his Indian hedge. It is sometimes here and sometimes there.

Q. You cannot say always that he will hedge there.

A. We ought not to make an absurd market.

A. *Sir Purshotamdas Thakurdas.*—I wanted to submit this for your consideration. Bearing in mind that India grows three varieties is it not more natural to keep contracts in those three varieties separate unless a pre onderatingly strong case is made out on the other side. Mere assertions are not to be tolerated. What is the reason that the Millowners want one contract ?

Q. Three contracts are after all an artificial arrangement.

A. Artificial ? They are the most natural. Nature has made them. A machinery which can spin 10s out of Bengal surely cannot spin 20s out of Bengal. It is the most natural thing.

Raja Hari Kishan Kaul.—Half an inch staple, ¾ inch staple and 1 inch staple—it is an artificial thing.

A. How is it artificial ?

Q. Half an inch may be half an inch or less.

A. When we mention staple we generally mean the minimum staple, not the maximum. If you say that a certain plant is half inch staple it may be a little higher.

Q. It varies from one point to another.

A. But the lower point is the minimum. If you say that a certain cotton is half an inch it means that it is not under half an inch. If it is, it is not good for the purpose.

Q. But it is sold ?

A. Everything is sold. When we say that the cotton is such and such naturally what I submit is that nothing under that staple is good for the purpose.

Q. But still I call it artificial because you assume that that minimum point of yours is the standard by which you are to judge, and by which the mills also judge.

A. The whole world judges.

Q. I say that in spite of that it is a thing which you have adopted for your purpose and you find it useful.

A. We have adopted it for our customers.

Q. In America there is a difference in staple and yet they have "middling" as a standard.

A. *Mr. McKee.*—In New York they have a staple clause and you can only tender ⅞ths of an inch and above. Anything under ⅞ths goes out.

Q. How is that dealt with ?

A. That has got to be sold in the open market just as in India. The Millowners say we have got to bring it in the hedge contract. But everything is not included in America.

Q. You can put it down to half an inch or ⅞ths of an inch or something of that sort.

A. Why does not America do it if it is such an ideal thing ? I would not say a big percentage but there is a good deal of it in America.

Q. In America the standard which they have adopted varies between points and varies fairly largely. Therefore if you had one hedge contract here it could not be considered absolutely impossible ?

A. *Sir Purshotamdas Thakurdas.*—It is not a question of impossibility so much as being undesirable. We submit it is undesirable. It is undesirable in the interests of the Millowners, it is undesirable in the interests of the cultivators and it is undesirable in the interests of the Bombay cotton market as it has been for the last so many years.

Q. It is undesirable in the interests of the agriculturists. But as regards the interests of the Bombay Millowners I suppose they will be able to say.

A. We submit this. In that case the basis of the contract would be Oomras as the Chairman himself said and Oomras.....

President.—I was merely giving my general impression.

A. *Mr. McKee.*—It does not matter. Even granting that a broader hedge contract did not affect the agriculturist and that people have still to pay the same price for it, if we had one hedge contract wherein we could tender lower varieties, owing to the uncertainty amongst the buyers as to what they are going to get they will only buy at cheap rates. If you lower the value of your hedge contract without lowering the value of your actual cotton it stands to reason that the difference between the wider fluctuations is over a wider range. Therefore the hedge contract is less an insurance to the millowner or any other trader than it would be if the difference between the actual cotton and hedge is small.

Mr. Majmudar.—I could not hear the last argument.

A. Suppose you had a hedge contract and it was quoted at Rs. 50 under a certain style which was deliverable.....

Q. For spot ?

A. Yes, spot. Suppose at delivery time your hedge was quoted Rs. 100 under this actual cotton. Then the fluctuation between your actual cotton and your hedge would be anything from 1 to 100 rupees ; whereas in the narrower contract the fluctuation might only be 50. Therefore with Rs. 100 fluctuation there is much less insurance to the consumer or the seller or the merchant than if it were only Rs. 50.

Q. Why should there be a wider fluctuation ? So far as the price of spot cotton is concerned it will be a certain number of rupees above or below the hedge contract. And so long as the hedge price is Rs. 150 it will be Rs. 200, when the difference is Rs. 50.

A. You have got to remember that the difference between cotton and cotton is always fluctuating. One style and another are very seldom quoted with the same difference day after day.

Q. That would be so to some extent.

A. Every kind.

Q. Is the call cotton system current in India to a great extent ?

A. No.

Q. Have you tried to introduce it ?

A. It is being introduced now.

Q. Why are the mills not going in for it ? On what basis do they fix up the price ? Points on Bengal or Oomra ?

A. *Sir Purshotamdas Thakurdas.*—The nearest hedge contract.

A. *Mr. McKee.*—For Oomra descriptions you would buy at so many points on the Oomra contract. If you buy rough Rajputana you would buy on the basis of the Bengal contract.

Q. If the prices of Broach and Oomra fluctuate it may happen that he may get Oomra at call at the price of Broach.

A. He gets the cotton. When the time for delivery comes he gets the cotton, the actual grade. The price he pays for it is arranged previously between him and the merchant. The price generally speaking, is added or deducted from the basis of the hedge contract.

Q. Supposing he settles on a difference in price on a day when the difference between Broach and Oomra is Rs. 60 and subsequently after two months there is a squeeze in Oomra. He will have to pay for the call cotton on the basis of a higher prices of Oomra.

A. Exactly. That is why I pointed out that it is absolutely essential for a man to understand the rules of the hedge contract. If he buys cotton based on Oomra when he should buy on Broach and somebody squeezes Oomra he has got to pay the penalty.

Q. The same thing with Broach ?

A. That is why I say that a man who deals in this business should understand it.

Q. If he has one hedge contract to deal in it is easier for him to purchase cotton on "call" because he knows prices will not vary as at present.

A. Yes. But while he may be better off there he still runs the risk of buying in a wrong month.

President.—What do you mean by buying in the wrong month?

A. About a year ago there were only 70,000 bales of tenderable cotton in New York. I understood there were 200 thousand bales of call cotton fixed for one particular month; and somebody else bought enough futures and prepared to take delivery of all the tenderable cotton in the town and when the people called their cotton there were no sellers for that particular month.

Q. That does not affect the man who called cotton. It affects the man from whom it was called.

A. It affects the consumer, because say, December was quoted 30 under January. As a result of this December may go 50 over January. It means he has to pay 80 more points than if it had been fixed on January. It is a very difficult thing. The trouble is that some Millowners and other sections of traders here do not understand it.

Mr. Majmudar.—The instance you mention refers to contracts for particular months. That is a rare case. The mills make sales of particular qualities of cloth or yarn and as they would be calling cotton on the day they make sales, there will be less chance of their suffering even due to squeezes, because they would get a higher price for yarn and cloth due to the high price of cotton on the day.

A. No, not necessarily. I put it this way. Suppose you had a single contract in Bombay and Oomra was your basis. Now you have got cotton which normally was Rs. 30 on Oomras and you bought call cotton on the basis of that hedge contract—30 on Oomras and—you fix your basis. And your contract which you are going to call will be the January delivery.

Q. So far as call cotton is concerned it is not necessary to stick to these particular months.

A. When he enters into a contract he must stipulate what month he is going to call on.

President.—Does he stipulate the month?

A. Yes. For such and such a cotton, for delivery at such and such a price on January futures....

Q. He stipulates the delivery month?

A. Yes.

Mr. Majmudar.—If he has fixed the delivery a month further, this question of his having to pay a higher price due to a squeeze in the earlier month does not arise.

A. He will only buy on a different month provided the sellers are prepared to sell him on the basis of that particular month.

Q. If cotton is sold here on call basis certainly it would be sold for various months. It will not be sold for some particular months only. The idea of introducing call business is that good quality cotton may be available at any time of the year and that merchants may hold it for the mills. That is the basic idea.

A. The reason of call cotton is that particular styles of cotton are not available all the year round.

Q. In order that they may become available and in order that the merchants may hold that particular kind of cotton for mills, that contract would be introduced.

A. Exactly.

Q. So in that case the question of squeezes in particular months would not arise.

A. They would arise. If you had a single contract the basis of which was Oomras and Oomra cotton should be absolutely destroyed by nature, the January hedge contract would stand very very high then. The actual cotton which a merchant might have sold on the basis of 30 on Oomra might be available at 30 off the contract, in which case the mill will be paying more for its cotton than if it had not bought it under those conditions. The basis of your contract is Oomra. Nature washes out 90 per cent. of the Oomra crop, and 10 per cent. is for sale. Your hedge contract then must go up. Other descriptions which normally would be sold at a premium over the basis of the contract will be sold at a discount. When you call your cotton, you would be calling your cotton at Rs. 30 on. It would be Rs. 30 on the actual price of spot Oomra which you would have to pay.

Q. If it is one hedge contract this condition would not arise.
A. Why ? You must have a basis when you are going to have a hedge contract.

President.—If you have a single hedge contract you have got to have your basis. But your point is that when 90 per cent. of the Broach cotton is washed out....

A. The same thing in America. Sometimes late rains come in America and you get a very low grade cotton.

Mr. Majmudar.—In the case of a single hedge contract other cotton will be tenderable and unless the whole crop fails that position would not arise. If the Oomra crop has failed, even then if there is a single hedge contract the squeeze would not arise whereas if there are different contracts as at present, in that case the squeeze would arise.

A. The contract would become more valuable because every month the contract would have to be quoted on the value of the spot Oomra which may not exist. The difficulty in India is this. America is growing one style of cotton. That crop may fail in Virginia but it will be good in Texas and in other places. We are growing different varieties. If we are going to have one single hedge contract, we have got to fix one kind as basis.

Q. All other cotton will be tenderable.
A. But the basis will be, say, 3 lakhs of bales. Your contract would not be a good hedge because the basis of your contract would fluctuate in relation to the value of your 3 lakhs bale basis.

A. *Sir Purshotamdas Thakurdas.*—I think Mr. Majmudar has not been impressed by the great importance of the basis on which Mr. McKee has been emphasising. If the basis goes the contract appreciates enormously and you have exactly the same difficulty as you are trying to get round.

A. *Mr. Haridas Madhavdas.*—One contract must have a basis also.

Mr. Majmudar.—If other kinds of cotton are tenderable the difference may widen a little but a squeeze would be difficult. Taking the total crop at 50 lakhs of bales and the Oomra crop at 15 lakhs, if Oomra fails there would still be available 35 lakhs of bales. The rise in price would be more if only Oomra could be tendered as Oomra, and if against 15 lakhs you have only, say, 10 lakhs tenderable.

A. *Mr. McKee.*—No. We have not a basis with as much as 15 lakhs out of our 50 lakhs. The tendering differences of the other cottons are fixed in accordance with the spot values on the day of the tender.

Q. Of the basis ?
A. In relation to the basis. In America every morning the ten leading spot markets wire their quotations to New York and these prices are averaged, and these are the tender differences in New York on that particular day. The best book on that subject is " Cotton and Cotton Market " by Hubbard. I will send you a copy.

President.—Thank you. It will be useful. There is one further question—one small point. In reply to Question No. 93 you say that you want to " emphasise the fact that the scale of freight rates for transport of cotton to Bombay from Indian coastal ports compares very unfavourably with those for export of cotton to Japanese and continental ports to the disadvantage of the exporters of cotton from Bombay ". I am not quite clear about this.

A. That is a clerical error. It should be " to the disadvantage of Millowners in Bombay, consumers in Bombay." I noticed it last night.

Q. Yes. I thought so. Of course, these differences in freight are natural. Are they not ? You must always expect lower freight for long distances than by coastal services.
A. There is a very big variation.

Q. Coastal competition, I suppose.....
A. Or the lack of it.

A. *Sir Purshotamdas Thakurdas.*—Take Coconada to Bombay. It is Rs. 5-4-0. From Bombay to Japan which is more than three times the distance the freight rate is half.

A. *Mr. McKee.*—The biggest difference is between Coconada and Calicut. Calicut is a quarter of the distance but full four times the price.

Q. According to you, Mr. McKee, that will mean a difference of 16. You say a quarter of the distance and four times the price ?
A. Yes. I beg your pardon. The freight is the same.

Q. There is always a freight advantage for long distances. I admit the differences are very great. But I take it there is not very much cotton imported from Calicut to Bombay ?

A. Quite a considerable quantity.

Q. I do not know what is the remedy for it except more competition.

A. *Sir Purshotamdas Thakurdas.*—I do not think there is anything else but better enterprise.

A. *Mr. McKee.*—This was only drawn up to show that Japan can get cotton as cheaply as India.

Q. Take Tuticorin to Japan or Calicut to Japan. I suppose the same conditions will apply there if they have their own direct lines of steamers.

A. There is a direct line of steamers from Tuticorin.

Q. Have you got freights from Tuticorin to Japan ?

A. I have not got it here but we can get it.

Q. Yes, if you could get it, it would be interesting.

A. *Mr. Haridas Madhavdas.*—That would be arranged when the cotton is to be shipped from Tuticorin to Japan. It is in the hands of the Japanese Spinners' Association.

Q. We want to know what the rate is. It is certainly in the interests of the Bombay mill industry that it should buy as much Southern Indian Cotton as possible.

Mr. Subba Rao.—I want to ask a question about the effects of the imports of American cotton on the production of cotton here. It has been suggested by more than one witness that not only is cotton now being imported in large quantities from America but in the coming years it may be necessary to import fairly large quantities of American cotton to spin finer counts. What is the effect of that on the production of cotton in the country itself ? Would it have a prejudicial effect on Indian cotton production ?

A. *Sir Purshotamdas Thakurdas.*—If in future years the Millowners here find it necessary to import American cotton, would that have a prejudicial effect on indigenous cotton ? Is that your question ?

Q. Yes.

A. Well I think the consumption in India of African cotton has grown at a fair pace during the last ten years and that has not been found to be prejudicial to the indigenous cotton and I do not see why imports from America, if American cotton happens to be imported in ordinary competition with Indian cotton, that is under natural circumstances, should affect it prejudicially.

Q. I mean American, Egyptian or Uganda.

A. No.

Q. Would it displace Indian cotton to any large extent ?

A. *Mr. McKee.*—If the fashion of cloth changed to such an extent that people wanted fine goods instead of coarse goods, if they wanted fine goods which could not be spun from Indian cotton, it would have an effect on the production of cotton in India.

Q. In that way it will have an effect. If a change in fashion led to a demand for better cloth the import of cotton will affect local production naturally ?

A. Yes.

A. *Sir Purshotamdas Thakurdas.*—I do not see how it would affect.

A. *Mr. McKee.*—If the fashion of cloth changed in India and it had to be made from cotton which could not be produced in India it would naturally affect.

A. *Sir Purshotamdas Thakurdas.*—How would it affect India ?

Mr. Subba Rao.—The demand for Indian cotton will be less ?

A. Nobody has felt that the demand for Indian cotton has been less when they bought from Africa.

President.—But you have been buying from Africa only a small quantity—50 or 60 thousand bales at the utmost. That does not make any difference. But supposing you were to get half a million bales from America ?

A. The American cotton which is being imported is being imported for substitution by present Indian prices. It is only a question of price which brings it.

Q. Have you any idea of what sort of cotton is being imported under this condition ?

A. Fully good.

Q. Staple ?

A. Average about 1 inch.

Q. In substitution for ?

A. For Indian staple—Punjab, American and Coompta.

A. *Sir Purshotamdas Thakurdas.*—It is practically a substitution of Indian cotton. Mr. Subba Rao's question refers to the situation when the Indian cotton mill agent wishes to go in for higher counts, namely, such counts as cannot be spun from Indian cotton grown locally. It is quite different. Mr. McKee's point is that, that variety of course hits the Indian cotton grower inasmuch as if the American cotton was not competing as it has been the Indian cultivator's product would have been bought. But in the other case I am not quite sure. When the Indian mills choose to spin higher counts that cannot be done out of Indian cotton. If those mills are not in existence there will not be any inducement for the Indian cotton grower. If those mills are put up here it does not hit the Indian cotton grower because he does not produce the cotton.

Mr. Subba Rao.—It is not a question of new mills. Suppose certain of the existing mills turn to finer counts. Would not that mean a diminution in the demand for Indian cotton ?

A. But every mill at present which can go into finer counts has, I understand, gone to finer counts. It is a question of putting up new mills and if there was to be any artificial restriction of the amount, the Indian cotton grower is not going to benefit because he does not grow the stuff which is wanted. I suppose you want two inches staple. Whether the cotton is imported or whether India imports stuff manufactured out of it from elsewhere makes no difference. Because he is not a competitor as he cannot grow that stuff.

Q. It will merely supplement and not supplant local cotton ?

A. Exactly. The question to which Mr. McKee referred is a direct substitution of the Indian cultivator's produce.

Q. What would be the effect on the production of finer grades of cotton here ? Would there be a growing demand for finer imported cotton which would have any reflex action upon the growth of finer sorts of cotton here ?

A. I think it would make the people see that if they can grow better staple stuff there is the market ready for it. In fact that is what has happened elsewhere, at Surat. During the last ten years the quality called Farm Kapas has been produced from the Surat Government farm and is at a very appreciable premium. When they saw that the mills could pay at premium they began to go in for Farm Kapas. The Agricultural Department will tell you that they cannot cope with the demand for that seed. I think it will be to the good of the industry.

Q. To bring in foreign cotton and spin fine stuff ?

A. No ; but to have the demand in India with local mills, if you can grow it here.

President.—As an ex-Millowner yourself, Sir Purshotamdas, and also as a Chairman of the Board of Directors of many of the cotton mills, you probably know that the Bombay mills keep to their own range of 20s and 30s. Supposing it became advisable for them to go on to 30s and 40s, would it need any great change in machinery ?

A. Not very much.

Q. That is really the point. 30s and 40s range is the crux of the problem and you do not consider any very great change is needed ?

A. Not very much.

Mr. Majmudar.—I understand some of the Bombay mills have recently changed on to 30s and 40s.

A. Yes. I think some of them have changed. But I do not think that it is a matter that can be prevented. Some which are more enterprising do it.

President.—Why should it be prevented ?

A. I thought the suggestion was to prevent it.

Mr. Subba Rao.—It is just the other way. We were only thinking of any possible harmful reaction.

A. No. No harmful reaction. But I have heard a sort of thing that India must not go on to finer counts.

President.—From whom ?

A. It is a rumour. You know how the rumours emanate.

Mr. Subba Rao.—It has been suggested that bringing in foreign cotton for spinning finer counts might affect the local growth prejudicially.

A. No. I do not think so.

ANNEXURE A

P. CHRYSTAL & Co.,

COTTON BROKERS.

Bombay, 6th October 1926.

New York Future closing quotations

	Delivery	Month
	July	October
25th June 1918	28·27	25·70
25th June 1919	32·95	32·74
25th June 1920	36·05	32·98
25th June 1921	11·04	11·95
25th June 1922	21·40	21·40
25th June 1923	27·26	25·04
25th June 1924	29·13	25·47
25th June 1925	23·25	23·33
25th June 1926	18·08	16·63
19th July 1924	31·50	25·95

Witness No. 34

THE BOMBAY CHAMBER OF COMMERCE

Written Statement dated 4th September 1926

I am directed to refer to the Press Communique, dated Bombay, the 1st August, in which you request the views of public bodies in connection with the enquiry which the Tariff Board is conducting into the present condition of the cotton textile industry. My Committee have carefully studied the questionnaire issued by the Board and I now have the honour to submit a statement of their views. In preparing the statement my Committee have borne in mind that they represent a body with very wide and varied interests and at the same time they have endeavoured to present a view in consonance with the welfare of the City and Presidency as a whole. The subject is a highly technical one and since my Committee make no claim to special expert knowledge they have confined themselves in the main to general observations and refrained from answering many of the questions in the questionnaire.

2. The cotton textile industry is by far the most important industry in Bombay and consequently it is obvious that the prosperity of the mills must affect the general prosperity of the City. In addition to the mills themselves the success or otherwise of many importing firms, *i.e.*, machinery, mill stores, dye stuffs, etc., depends upon the working of the mills. The interests involved are so great that the closing of mills may mean the closing down of a number of subsidiary businesses, and may react very seriously on the progress of the City, since a great number of people depend, directly and indirectly, for their livelihood on the successful working of the mills. My Committee consider that if the Millowners'. Association can prove to the satisfaction of the Tariff Board that they are suffering from unfair competition, steps should be taken at the earliest possible moment in order to give the necessary relief in some form or other. In view of the uncertainty which at present prevails it is of the utmost importance that Government should announce their intention at the earliest possible moment. With these preliminary observations I am to submit replies to those questions which my Committeee have felt competent to answer.

Section I

General

1. My Committee understand that the present depression in the cotton textile industry is in the main confined to Bombay. It affects all mills in the same centre more or less alike varying only according to the efficiency of the mill and management.

2. My Committee consider the depression is largely due to world factors of which the most important is the fall in price of American cotton and the consequent lack of confidence in prices. It is aggravated by conditions special to Bombay, *e.g.*, high cost of manufacture, inefficient and expensive labour together with a high rate of absenteeism and heavy Municipal and Imperial taxation.

3. Temporary.

5. We understand that a few mills even in Bombay are making a small profit.

6. A good effect provided the fall in prices is gradual and would lead finally to a lower level of prices for manufactured goods.

7. To a large extent.

8. To a considerable extent, because the agriculturist can only purchase cotton goods in proportion to what he realises for his own products.

9. My Committee consider that the ryot's purchasing power has increased since the war.

10. My Committee agree with this view.

Section II

Nature and extent of competition between imported goods and those of Indian manufacture

14. (*a*) Very largely;
(*b*) Not to the knowledge of my Committee.

15. Yarns up to 30s and low quality grey cloth, dyed cloth and bleached goods.

19. My Committee do not consider that the competition of imported yarn is a serious factor except as regards yarns of 30s, 31s and 32s.

20. My Committee are unable to say whether the figures given are correct but they know that the percentage was very small before the war and they are sure that it has decreased considerably since the war owing to the importation of similar cloths from Japan at very much cheaper prices.

21. My Committee are not in a position to confirm the figure given; but they believe that Japanese grey goods compete directly or indirectly with the production of Indian mills owing to their better quality and cheaper prices.

22. My Committee are unable to confirm or contradict this figure.

23. This is purely a question of comparative prices.

24. (*a*) Very heavily as regards grey goods.

(*b*) To a small extent in sundry lines.

My Committee consider this competition is likely to increase in future; particularly since the Japanese have started exporting dhooties to Calcutta.

25. To a very large extent. My Committee have no reason to doubt the accuracy of the figures given in the statement referred to.

27. There are so many outside factors, particularly the monsoon, that it is impossible to estimate the extent to which the competition of imported goods with the production of Indian mills have been accentuated by fluctuations in the sterling rate of the rupee. The rupee has been stabilised for nearly two years and my Committee anticipate that its legal stabilisation at 1*s*. 6*d*. will have little or no effect on the industry.

28. To the extent of the extra hours worked, the superiority of the labour and the employment of women and children at night.

29 & 30. My Committee are not in a position to give any definite information on these points.

31. My Committee are of the opinion that foreign competition is facilitated by the inferior get-up of the Indian cloth.

32. Japanese piece-goods have noticeably improved in quality in the last few years.

34. My Committee cannot say that they have noticed the growth of such a preference in so far as imported goods are concerned, and for this class of goods when prices are low the consumer will buy a superior article.

Section IV

Mill Management

40. As a Chamber my Committee do not consider that they are in a position to answer this question.

41. My Committee do not consider the managing agency system unsatisfactory as a system. One great advantage is the use of the managing agent's credit to obtain financial facilities which without his backing would be unobtainable.

42. My Committee are unable to say which system of remuneration is more common, but they think commission on profits is preferable to commission on production.

44. In the experience of my Committee managing agents are frequently associated with other kinds of business, and the practice ought not to be detrimental to the industry.

Section V

Mill finance

45. Those mills in Bombay which changed hands during the boom are suffering from over-capitalisation. But in the main the Bombay mills are under-capitalised and in times of trade depression when stocks accumulate charges for interest arise owing to working capital having to be borrowed or debentures raised. The old school of thought in industrial finance in Bombay was in favour of low capital and when money was plentiful and rates of interest low there was and is, in the opinion of my Committee, much to be said for it, the theory being that it is better

to borrow, say, at 5 per cent. than to have to show a return, say, of 6½ per cent. on debentures and 10 per cent. on capital employed.

50. My Committee understand that this is sometimes done. They do not consider that the practice is necessarily unsound provided the allied concern is sound and the mill is directly benefited by such investments.

Section VII

Remedial Measures

A. Suggestions put forward by the Bombay Millowners' Association.

92. Certainly and to a great extent. This means the mills often have to carry heavy stocks which in terms of money means interest charges.

94 The present rate of freight on piecegoods from the United Kingdom to Bombay is 52*s*. 6*d*.

96. No.

97. My Committee are in favour of the abolition of the company super-tax which they regard as an obstacle to industrial development in India. They would take this opportunity of repeating the views which they recently embodied in a memorandum on the report of the Indian Taxation Enquiry Committee.

1. Super-tax on companies was imposed as a consequence of the war and, like the analogous measure in England, it should have been removed as soon as possible after the war was over.

2. The argument that the tax is justified by reason of the special privileges which limited companies enjoy as a result of incorporation is unsound, inasmuch as they duly pay for these privileges in registration fees, etc., and it is unfair to subject them to a heavy annual impost in addition.

3. The tax has the effect of making investments in companies less attractive than they would otherwise be and to that extent discourages the investment habit and hampers the industrial development of India.

4. Joint stock companies enable the poor to share with the rich in investing their money in the industries of the country, but the small man is mulcted in super-tax on his investment even though his total income be far below the super-tax mark. The tax is therefore inequitable.

98. The Chamber has frequently referred to this subject at length in connection with the proposal of the Bombay Municipality to obtain sanction for the conversion of the existing town duties into a terminal tax and have pointed out how such taxes check the growth of trade in the principal cities resulting in a serious loss to the commercial community. In addressing the Government of Bombay last June on the subject the Committee emphasised the inequity of the town duty on cotton and advocated its replacement by some other form of taxation more evenly distributed over the whole community.

99. No.

100. Not without special investigation.

101. The matter might well receive investigation.

102. My Committee do not consider that the trade is large enough to warrant the appointment of trade commissioners at the various markets.

103. This would appear to lie in the hands of the mill industry itself.

104. If the millowners can prove that the industry is being carried on with reasonable efficiency and economy and that unfair competition exists, my Committee are in favour of an additional duty being levied against any country that competes unfairly.

105. My Committee consider that the additional duty referred to in the answer to question 104 should be maintained only as long as the unfair competition exists.

106. My Committee consider that the effect would be a temporary rise in the price of all yarn and cloth but not to the full extent of the duty.

108. My Committee consider that internal competition will operate to a considerable extent throughout the whole of India.

109. Yes, subject to the reply to question 104.

110. My Committee consider that trade since the imposition of the 11 per cent. duty has been so abnormal that it cannot be taken as a criterion.

111. Only to a nominal extent, but it must be borne in mind that although the ryot's purchasing power is probably greater than it was before the war the very high price of cloth has encouraged him to hoard his money in precious metals and cut down his clothing requirements to a minimum. My Committee believe that this state of affairs might be reversed if confidence in prices is restored.

112. Any loss in the export trade should be more than made up by increased internal consumption.

113. My Committee consider that a rise from 5 to 18 per cent. would certainly affect the hand-loom industry but they see no reason why this industry should get the benefit of unfair competition if it be proved that the latter exists.

114. My Committee would be in favour of a scientific tariff but this is a question that would need very careful consideration. If such a tariff be proposed they would prefer the duty to be levied at so much per pound (weight).

B. Other Suggestions

116. Except in the case of a monopoly my Committee hold that an export duty re-acts on the producer and they are therefore opposed to the suggestion that one should be levied on raw cotton.

124. No.

Witness No. 35

THE INDIAN MERCHANTS' CHAMBER, BOMBAY

Letter from the Secretary, dated the 28th August 1926

I. General

My Committee feel that the most important cause of the present very severe depression in the cotton mill industry is to be found in the exchange manipulations of the past few years in this country in which deflation of currency has been repeatedly attempted, the money market has been made tight, the holding power of both the manufacturers and dealers seriously reduced and the purchasing power of the ryot has also been considerably affected. We consider that what has happened is that the tightness of money has compelled goods being thrown on the market. This has, in its turn, created falling markets, losses to merchants whether wholesale or retail, and serious curtailment thereby of the capital at their command and to that extent it has reduced the quantities of goods they ordinarily had in stock for their business. There has been, at the same time, an atmosphere of distrust and want of confidence in the standing and credit of dealers and this has tended to the withdrawal of the deposits that such dealers usually hold and at the same time it has tended to curtail the credit that such dealers used to get in normal times from their own suppliers. This vicious circle has then extended to the wholesalers or the manufacturers because the falling markets have meant losses to them also and curtailment of their credits and this has led to the curtailment of the financial facilities that they could normally get with the result that there has been an anxiety on their part too to liquidate their holdings as rapidly as possible and turn them into cash. If this position is carefully considered, it will be seen that the monetary position brought about by exchange manipulations had the effect of making the various intermediaries between the consumers and the manufacturers hold as small stocks as possible and work absolutely from hand to mouth and the whole burden of carrying all the stocks of the country has fallen on the shoulders of the manufacturer. This latter cannot similarly work from hand to mouth; he cannot run his mills to make 50 or 100 bales and then stop if he has been able to sell only that much quantity. If he is to work efficiently and economically he must go on working and the consequence is that with the hand to mouth buying of wholesalers, semi-wholesalers and retailers the stocks on hand tend to pile up. This again creates a great anxiety on his part to get rid of his own stocks and makes him undercut his neighbour in an effort to get rid of his own goods, even if it means no profit or even some loss, because it is only in this way that he can keep alive, because his own banker scared by the news of losses by all interested in the trade refuses to give him even half or a third of the finance that such banker used to give him very readily in more prosperous times and when the price levels were much higher. The vicious circle then again goes round, because the continual undercutting by the primary supplier, *viz.*, the mill, frightens away even the hand to mouth buyer because he is afraid that he might make further and further losses even on small turnovers. My Committee feel that this is a fairly accurate description of what has happened in the mill industry in the last few years.

This position has been made even worse by the competition of countries whose currency had seriously depreciated because it enables such countries for the time being to continually cut down their prices and place their goods on the Indian market. This undercutting by the foreign manufacturer has to be met by the local manufacturer, because buyers naturally look for similar reductions in local qualities and consequently the effect of the manipulations of Indian exchange and the depreciation of the exchange of foreign competing countries have a cumulative adverse effect on the industry and have meant continual and heavy losses to all concerned in it to which there seems to be no end. My Committee, therefore, consider that the remedies needed are a stopping of the manipulation of our own exchange and suitable means to counter-act the unfair competition of countries with depreciated currencies.

In the current discussion on this subject, it has been frequently argued that the imports from such competing countries form only a very small percentage of the total consumption in this country or even the total production of local manufactures and that, therefore, their effects must be negligible. My Committee are of opinion that this view is not in conformity with the experience of any one conversant with the facts of commerce. It is the experience of all engaged in trade that an excess supply of a few per cent. reduces prices not by the same small percentage but by a far larger percentage, because such excess at once creates an anxiety among suppliers to get in first and secure their own share of such demand as may be in existence. This is why there has been such a serious out-cry against the inroads of Japanese competition assisted by their depreciated exchange although the total increased imports will work out to a very small percentage.

The Tariff Board, therefore, will have to take this important fundamental of commerce into consideration and not lightly set aside the complaints against foreign competition on the mere ground of the smallness of such competing imports.

II. Mill Management

There has also been a talk in the recent controversy on this subject of the short comings of Indian mill management. My Committee do not claim perfection for Indian management and they feel sure that no such perfection can be claimed for industrial management in either England or Japan, the two countries mostly concerned in the present controversy. This being granted, my Committee are of opinion that the present depression in the industry has nothing to do with efficient or inefficient management, because the bulk of the mills now working are of long standing with trained and experienced staffs, and the managing agents also are the same in most cases as those that have shown such successful results in the pre-war period. Therefore, my Committee feel that this talk of inefficient management is merely a red herring drawn across the trial to divert attention from the real causes of the present depression. Much has been also made of the system of managing agents and the remuneration paid to them; but my Committee are of opinion that the managing agency system is a necessary part of Indian industrial development in the conditions as they obtain in the country to day and the proof of it is that the managing agent has been found necessary not only in the cotton mill industry but also in wool, jute, tea, etc. The necessity arises from the fact that it is impossible in the present state of banking in this country to find either the share capital at the start or the other finance necessary to run a particular concern, unless it is backed by a firm of substantial resources and standing and it is notorious that managing agents have, for the sake of their own good name, if for nothing else, frequently gone deeper in the finding of finance for their concerns than they would have done if they were not managing agents and have thereby not infrequently incurred heavy losses. My Committee think it necessary to insist on this side of the question, because, the man in the street is prone to lay too much emphasis on the fat commissions that the agents draw in good times and to forget their heavy liabilities and not infrequently the heavy losses that these same agents undergo in times of adversity. My Committee think it extremely doubtful if any board of directors in Manchester or in Japan have made or would ever make the same enormous sacrifices for the concerns with which they are connected as have been made by various managing agency firms in this country from time to time.

III. Labour

The manipulations in exchange above referred to and particularly the last stage of it which brought the rupee up from 16*d*. gold to 18*d*. gold in the past two years have forced on the mill management the necessity of considering a reduction of their labour costs and resulted in the widespread strike of last year. In this strike the employers wanted a reduction of 11½ per cent. but their workpeople refused to agree to any reduction and a bitter struggle continued for nearly three months and was finally ended by the millowners agreeing to pay the old wages as they had promised to do if the Excise Duty was removed. The millowners have been charged by interested parties with trying to squeeze labour in times of adversity, while they and their shareholders got fat dividends in times of prosperity. On the other hand there seem to be people who actually charge the cotton millowners with being unduly liberal to their operatives in the fat years and your Board seem to give some weight to this latter charge if one reads between the lines of question No. 65. If it is wrong to allow the workpeople to share to as large an extent as possible in the prosperity of the industry, then my Committee are afraid the millowners will have to plead guilty to the charge. They will have to plead guilty also to the charge of not keeping down the wages of labour to far below the cost of living during the boom years as the Calcutta jute mills have done, but seriously my Committee would put it to your Board: "Is it a crime to allow your operatives to share in your prosperity; is it a crime to increase wages so that they should be more in harmony with the current level of prices; and is that fact to be thrown in the teeth of the Bombay millowners as a ground for refusing to come to their assistance in their present plight"? My Committee feel that the answer of all responsible statesmen and public men will be in the negative. The question will then be asked: "Why did the millowners try to cut down wages by 11½ per cent."? My Committee would answer that wages had been artificially twisted through exchange manipulations in the past two years and the millowners had no option but to try and bring them down once more to the level of two years ago. Thus a mill which might be paying Rs. 1,50,000 per month in wages in August 1924 was really paying the equivalent of £10,000 to its workpeople. If the same figure is to be paid today, it is tantamount to paying £11,250. A cut of 11½ per cent. would have brought down the wage bill once more to £10,000. Your Board will, therefore, see that the cut was absolutely necessary to undo this insidious raising of wages through exchange that

Government had brought about in the past two years; the millowners had arrived at this cut of 11½ per cent. on a study of their own costs, but as your Board will see it was almost exactly the amount needed to restore the *status quo* as it obtained in 1924 in the matter of their wage bill; and my Committee are very much afraid that this cut—euphemistically called re-adjustment—will have to come about in the not distant future if exchange is established at 1*s*. 6*d*. as is now proposed, and no corresponding relief given to our industry in the shape of extra import duties as is suggested by the millowners.

IV. Sales

My Committee do not wish to enter into details of the working of number of spindles or looms per head, etc., which is the burden of a great many questions, because they feel that they have been adequately answered by the millowners themselves in their original representation or their replies to the questionnaire. They would, therefore, now turn to the selling side of the goods produced. Here again, the man in the street rushes to the conclusion that the system of selling agents which prevails in many mills is merely one more way of diverting a part of the mills' profits to pockets that have no right to it and the feeling is that this is all a part of the family arrangement by which the Agents and their friends make huge profits at the expense of the mills. My Committee, however, beg to point out that this again is a mistaken view. An industry, as such, should only concern itself with industrial problem, *viz.*: the most efficient plant and supervision to turn out its products at the lowest economic costs. The industry should devote itself to these problems and should leave the trading part with the trading risks to those who are more capable of bearing such risks by their own training and experience. Otherwise it may happen that profits made on the industrial side might be wiped off or turned into heavy losses by bad marketing or heavy bad debt liabilities on the commercial side. From this point of view, my Committee consider that the division of the work between the industrialist up to the point of production and the selling agents for the marketing side is a feature of the present system which should not be hastily condemned, particularly when it is seen that wealthy agency firms with strong financial resources and experience of years, if not generations, still find it advisable to employ selling agents and put all the burden of the marketing side on the shoulders of such selling agents. The commission paid to such agents in view of the work to be done is none too generous and these selling agents are expected for such commission to not only act as salesmen but also to guarantee sales, give such credits as may be necessary to customers and even take up and pay for goods on the due date for a particular customer who, although solvent, is unable to do so. In this respect the marketing side of local mills will, my Committee believe, compare favourably with that of imported goods where there are several more intermediaries, and my Committee do not think that even the wholesale importing houses work at the low rate of 1 to 1½ per cent. commission which is the usual remuneration of the selling agents of local mills.

V. Remedial Measures

My Committee would like specially to emphasise in connection with Question No. 101 that India should have her own mercantile marine which is considered rightly as the very foundation of commerce and industries in other countries. Unfortunately, the Government of India have remained indifferent to this question, so much so that though two years have elapsed since the publication of the Report of the Indian Mercantile Marine Committee no action as yet has been taken on that Report by the Government of India. The possession by India of a mercantile marine of her own will go a great way towards solving some of her commercial and industrial problems. My Committee agree that Government should carry on negotiations with shipping companies with a view to secure cheaper freights to our foreign markets specified in the question. Such an arrangement will be a great help to the cotton textile industry in the development of its exports.

Coming to the remedial measure put forward by the Millowners' Association, my Committee would, in the first place, emphasise that the most essential step is such protection to a local industry as off-sets the practical bounty given to foreign competitors by the Indian rupee being placed at 1*s*. 6*d*. instead of the pre-war rate of 1*s*. 4*d*. They further consider it essential that a further duty to the extent of the advantage that depreciated currency gives to the goods imported from such countries should also be imposed. This recommendation does not mean discrimination against any particular country and therefore the *favoured-nation-clause* cannot stand in the way of the necessary remedial extra-duty being imposed.

While they put the above in the forefront of the remedial measures necessary, my Committee consider many of the other suggestions of the Millowners' Association worthy

of sympathetic consideration. They do not attach much importance to the removal of Customs duty on machinery and mill stores, because so far as the machinery is part of the permanent addition to plants it is a capital cost and the duty on the same will slightly increase the capital cost and will not appreciably affect the dividends that could be paid on such capital. On the other hand, the duty paid on stores will not by its removal bring appreciable relief. As for Company Super-tax, the views of my Committee are embodied in their representation to the Government of India on the 4th August 1926, and your Board will see that my Committee strongly favour the abolition of this tax. As for railway facilities and charges, my Committee agree with the views expressed by the Millowners. They are also of opinion as aforesaid that the Government of India should take an active interest in securing better facilities and cheaper freights to over-seas markets as is done by other countries who pay serious attention to the problems of their trade and industries, the most conspicuous being that of Japan. My Committee also consider it the duty of the Government of India to have Trade Commissioners in India's prospective markets who should be Indians and whose duty it should be to foster the development of India's export trade with the countries in which each such Trade Commissioner has been placed. Here again the work done by Japan should be an example to this country. My Committee do not wish to name any particular rate of extra import duty, as they consider that your Board will be in the best position to determine the right figure, provided they look at it really as a problem of exchange as explained in the earlier part of this statement. Whatever the duties that might be finally decided upon, they will have to continue so long as exchange continues to be at 1*s*. 6*d*. If the country goes back to the 1*s*. 4*d*. ratio, my Committee believe that such extra protection will then be found to be unnecessary.

As to whether any such duty will raise the cost to the consumer, my Committee would point out that cloth is not an article of daily consumption like food and only a few yards per head are needed every year. Therefore, a ten or twelve per cent. additional duty is not likely to cause any serious hardship, because it will mean a very small additional expenditure if any at all. My Committee are aware of the uproar on the Bengal side in the post-war period against the very high prices for cloth and the distress among the poorer classes, many of whom were said to be unable to get out of their cottages because they had not even a rag with which to hide their shame, but that incident was really due not to the prices of cloth being so high as to jute (which forms the income crop in those areas) being at an unfortunately low level because exports to enemy countries having been prohibited the cultivator of jute was absolutely at the mercy of the jute mill industry of Bengal who made the most of their opportunity and the result was that the jute cultivator got only about Rs. 30 to 36 per bale for his produce against a normal average price of Rs. 60 to 70 per bale and a price of Rs. 140 to 150 if jute had risen in proportion to other commodities. To divert attention from this great inequity the cotton millowner was made the scape-goat and the impression was created that it was he who was squeezing the poor Bengalee cultivator. If Government had taken steps to prevent the cultivation of jute to a larger extent than was justified by the then restricted demand and if the prices of jute had risen in parity with the prices of other commodities during the war period as they would certainly have then done, there would never have been any complaint by the jute ryot of the high prices of cloth. My Committee consider it important to record these facts here as a great deal of capital is made out of it to the prejudice of the cotton millowner of Bombay.

My Committee have said above that the increase of duty will mean only a slight additional expenditure to the consumer if any at all. They are in fact of the opinion that there will not be any appreciable addition, because the mill industry is now so extensively developed that it is capable of meeting all demands from the consumer and therefore internal competition between Indian manufacturers may be safely relied on, as in the case of cement, to see that the consumer gets his cloth at a reasonable price. The sales, however, will be larger and the mills may be able to show better profits even with the same average profit per yard. However, even if it meant some increase in the cost to the consumer, my Committee would not grudge it, because the continuance and development of this important Indian industry is a matter which should be of the first concern to every thinking Indian and development becomes impossible and continuance even on the present scale is seriously jeopardised if the industry cannot be worked at a reasonable profit.

My Committee do not fear any check to consumption from the increase in the import duties by a mere ten or twelve per cent. because no such check was apparent in the past when the duty was raised successively from 5 to 7½, and then to 11 per cent. and the reason, as already explained above, is that the increased expenditure does not amount to any appreciable sum of money per head. If any such increase diverts foreign cloth from India to other markets, it cannot be to any appreciable extent, because each market

has its own predelictions. If, however, such a thing happens, it will mean a larger market for the Indian products in India itself which need not be a cause for regret.

As for the effects of an increased duty on our hand-loom industry, my Committee consider that if the duty is only imposed on counts below 40, then the hand-looms now largely engaged on finer work will not suffer at all while those that use the coarser counts will eventually be benefited by the encouragement that such a duty will give to an increase of such counts in India's own production which will ultimately mean cheaper yarn for the hand-loom industry itself.

My Committee are not at all in favour of an export duty on cotton, as they consider that it is not right to penalise the producer of raw products in order to help the producer of the manufactured goods and they are afraid that any such duty will penalise the producer and give him a much lower return for his produce.

Witness No. 35

THE INDIAN MERCHANTS' CHAMBER, BOMBAY

Oral Evidence recorded at Bombay on the 3rd and 7th September 1926

The following gentlemen represented the Indian Merchants' Chamber, Bombay :—

Mr. Lalji Naranji,
Mr. Walchand Hirachand, and
Mr. J. K. Mehta.

President.—First of all, perhaps you will tell us how many members there are of your Chamber ?

A. *Mr. Lalji Naranji.*—About 468.

Q. I take it that your activities include every branch of commerce and industry ?
A. Yes, quite so.

Q. How many of the Chamber are actively interested in the cotton mill industry ?
A. Directly or indirectly ? Directly there may be only the millowners.

Q. How many are millowners ?
A. 30 are millowners.

Q. Would they be also members of the Bombay Millowners' Association ?
A. Yes.

Q. All those 30 ?
A. Roughly we can say 30, but indirectly of course there are many.

Q. How many of them are piecegoods merchants ?
A. About 65 to 70.

Q. How many of the balance would be interested in the cotton textile industry ?
A. Some of them are interested in cotton also and as such they are also interested in the cotton textile industry. I do not think you can exclude them.

Q. How many ?
A. Roughly about 40.

Q. So that means ?
A. 30 millowners, 65 piecegoods merchants and 40 interested in cotton, and 330 at least general members.

Q. I understand that you confine yourself to the general aspects of the case, and leave the details to the Millowners' Association ?
A. Certainly, Sir.

Q. I gather from your statement that you are of opinion that the whole problem is one of currency ?
A. Certainly. Not only we but some of the English economists also are of the same opinion. I read the *Statist* and I find that the first impression created there after the Currency Report was out was the same as ours. They also believe that it affects the industry adversely, to fix exchange at 1*s.* 6*d.*

Q. I rather gather from the first page of your statement that in your view the trouble is largely due to uncertainty, the uncertainty in regard to currency matters which there has been for the last few years ?
A. We have said, ' if this position is carefully considered it will be seen that the monetary position brought about by exchange manipulations had the effect of making the various intermediaries between the consumers and manufacturers hold as small stocks as possible. Do you mean that ? The main cause is according to us the manipulation of exchange.

Q. I do not propose to discuss currency policy with you in detail. The only question I would ask your views on is whether at any rate the acceptance of the recommendations of the Currency Commission will enable everybody to know exactly where they are. Do you agree with that or not ?
A. We do not.

Q. You do not accept the views of the Commission, but whether you agree with them or not, would you not know exactly where you stand if the recommendations were carried out ? Would not the effect of that be beneficial in regard to the cotton industry as in regard to everything else ?
A. I think we have stated our views very clearly here. If you want any particular portion of our written evidence to be explained I am quite prepared to do so.

Q. Which portion are you referring to ?

A. The commencement. We say there that the most important cause of the present very severe depression in the cotton mill industry is to be found in the exchange manipulations of the past few years in this country in which deflation of currency has been repeatedly attempted, the money market has been made tight, the holding power of both the manufacturers and dealers seriously reduced and the purchasing power of the ryot has also been considerably affected. Which portion of that do you want to be explained further ?

Mr. Walchand Hirachand.—You are referring to uncertainty ; we are laying emphasis on 1*s.* 4*d. versus* 1*s.* 6*d.* We want the exchange to be at 1*s.* 4*d.* It is not only about uncertainty, as you put it, we are complaining of.

Q. My point is that you also referred to uncertainty. I am referring to the general impression you gave me in regard to lack of confidence, falling markets and so on, and the impression that I got was that you considered that the uncertainty in regard to exchange had been a distinct factor in the present depression. If I am wrong I want you to correct me now.

A. *Mr. Lalji Naranji.*—We wholly believe in the fixity of the ratio.

Q. You agree there has been uncertainty ?

A. Certainly, there has been.

Q. If you remove that, it should at any rate help ?

A. If you remove that by fixing the ratio at 1*s.* 4*d.*, not by fixing 1*s.* 6*d.*

Q. When you fix 1*s.* 6*d.* you at any rate remove uncertainty ?

A. We are not complaining of uncertainty.

Q. Have you no complaints in regard to uncertainty ?

A. No, we say the attempts to fix exchange at 1*s.* 6*d.*, the manipulations, have led to the ruin of the industry. The *Statist* also says the same thing, that this manipulation has led to all this trouble.

Q. Yes, but my point is that, accepting your view, there will be an end to what you call manipulation, if exchange is fixed at 1*s.* 6*d.* ?

A. No, Sir. It will not be the end. If Government decides to maintain 1*s.* 6*d.* they will have to manipulate. If you will allow me to read from this (the *Statist*), here it is said :—"The rate fixed for the new parity is 1*s.* 6*d.* though native opinion demanded the other rate of 1*s.* 4*d.* Since April last the Government of India have been supporting the rupee at this rate by undertaking to sell reverse councils at a minimum of 1*s.* 5$\frac{1}{4}$*d.* It is highly questionable whether the rate would not have fallen to 1*s.* 4*d.* if the Government had not intervened." It is purely due to the intervention and manipulation of Government that they have been able to maintain 1*s.* 6*d.* Even this paper suggests that it was a sort of hint, that the action taken in April was a sort of hint to the Commission that they should fix 1*s.* 6*d.* and not 1*s.* 4*d.* So, even this paper, I say, believes that it would have gone to 1*s.* 4*d.* if Government had not intervened.

A. *Mr. Walchand Hirachand.*—The *Statist* as you know is a very influential paper.

Mr. Subba Rao.—Is it your suggestion that the manipulations as you call them have affected the cotton industry along with others ?

A. *Mr. Lalji Naranji.*—Yes.

Q. When did the manipulation begin ?

A. From 1919-20.

President.—When did the exchange depart from 1*s.* 4*d.* ?

A. 1918.

Q. Would not that be your starting point ?

A. Certainly, but they fixed the rupee at 2*s.* after the Babington Smith Report and then the trouble began.

Mr. Subba Rao.—What was the exchange in 1923 ?

A. 1*s.* 4*d.*

Q. And generally the depression began that very year ?

A. But it began for another reason also.

Q. You cannot attribute the starting of the depression to the fact that exchange was above 1*s.* 4*d* ?

A. The reason is this, that in 1920 the exchange was taken from 2*s.* to 2*s.* 10*d.* It went on in 1920-21 and 1922, which made the importers bring in very big quantities of commodities and its effect began to show gradually. You cannot expect the heavy imports to affect you in the same year, but you always expect the effects after one or

two years. If the stocks are heavier than the consumers can consume, difficulty arises. These heavy stocks I attribute to the heavy imports that were made in 1920, 1921 and 1922.

Q. In 1920-21, two years before the starting of the depression ? Is it your opinion that the stocks required two years to be worked off ?

A. Certainly. The imports were so heavy that the real effects of these heavy stocks began to be felt in 1923 because they had to be cleared. The disputes really began in 1922 about the taking of deliveries when exchange fell and they were practically settled in 1923.

Q. It was the after-effect of the earlier imports of British goods ?

A. Yes.

Q. Goods were imported in large quantities and these could not be cleared for a year or two. That is your suggestion ?

A. Yes.

Q. One other point, and that is whether the exchange manipulation has affected the industry in every part of India ?

A. I think the Millowners have said that it has affected not only the textile industry but also all other industries.

Q. We are confining ourselves to the cotton industry. Has the cotton industry of other parts of India also suffered similarly to Bombay ? Some of the upcountry mills are doing quite well, and so you cannot attribute to this cause the depression of the cotton industry in Bombay ?

A. Of course, but this is the main cause. There are other causes also, but this is the main cause so far as Bombay is concerned, so far as the whole textile industry of India is concerned. It would have been far better otherwise.

Q. Can you give us information as to how the other mills in India are faring ? Are they doing badly ?

A. The upcountry mills are doing better owing to different factors.

Q. How do you explain the operation of the exchange factor on their working ?

A. On their working also ; their income has been affected by this exchange policy, but not so much as in Bombay.

President.—Before going further, Mr. Lalji Naranji, perhaps you will explain exactly how the cotton textile industry has been affected by the exchange ? You say it has been affected ; but how has it been affected ? Has it been affected merely because the exchange policy has promoted imports and therefore competition from other countries, or in any other way ?

A. We say in our written statement that the money market has been made tight, the holding power of both the manufacturers and dealers seriously reduced and the purchasing power of the ryot has also been considerably affected.

A. *Mr. Walchand Hirachand.*—This is the most important point. Owing to the 1*s.* 6*d.* exchange the purchasing power of the ryot has been affected. Take the case of a cotton grower. As the crop is a sterling regulated crop he is getting less for his crop than if the exchange were at 1*s.* 4*d.* Possibly the margin di appears. Therefore his purcha ing power is further adversely affected. Now 72 to 78 per cent. of our population happen to be ryots and the bulk of the money crops, whether sugarcane or cotton, being sterling regulated, they are all affected to the extent of 12½ per cent. adversely. Then the imported goods come in cheaper to that extent—12½ per cent. That again affects the mill industry because the mills here have to compete with these 12½ per cent. cheaper textiles.

Mr. Subba Rao.—But is he not getting a higher sterling price ?

A. No. Sterling prices are not regulated by Indian purchases but by international conditions.

Q. Are not these prices higher than during the pre-war years ? Would not that modify the loss in exchange ?

A. No.

Q. My point is, he might have been getting, say, £16 before, but he may be getting £20 now. So, on the whole, he has been getting a higher price only modified to a certain extent by exchange ?

A. I am not prepared to concede that. As long as the price is £20 (in sterling) he now gets instead of Rs. 300 only Rs. 264.

Q. But my point is that sterling prices have been rising ?

A. As regards cotton ?

Q. I am not speaking of cotton alone. I am talking of India's exports. They have certainly risen in price compared with 1914 ?

A. *Mr. Lalji Naranji.*—We are not talking of 1914. We are talking of 1919 and the period subsequent to that. We do not compare with the price of 1914 but with that of 1918, from which date the manipulation of exchange began. Then you will see that the ryot is getting fewer rupees. He is not concerned with sterling.

Q. Is it not sold abroad for sterling ? My point is that immediately after the war, prices naturally would have fallen owing to a number of causes. He cannot get the benefits of the war prices even after the war. Now, taking the position as a whole, is he worse off ? Is he not getting more in sterling than before modified to a small extent by getting fewer rupees ?

A. No, Sir. I will refer you to what His Excellency Lord Reading referred to on his landing here. At that time there was no demand for raw materials. There was no demand owing to the effects of the war in Europe, but now owing to reconstruction in Europe there has been a demand. So they are now getting something. It has improved in this sense but not in money.

Q. My suggestion is that the prices of food-stuffs and raw materials are on the whole higher than before 1914. Is the cultivator then worse off now than before ?

A. Yes.

Q. Taking his position generally would you state now that he is worse off ?

A. He is getting 50 per cent. more price than the pre-war price of 1914 on the average, but against that he has to pay at least 100 per cent. more for the other goods.

Q. For the manufactured goods ?

A. No, for the labour. The agricultural people have to pay for labour and taxation. They are getting less. They are getting only 50 per cent. more than the pre-war prices.

Q. You have to put on the one side the higher prices reduced by the exchange policy as you call it, and on the other side what he has to pay in the shape of higher labour wages, etc., and you suggest that these counterbalance the higher sterling price. It has to be worked out. But though the fact that he has to pay higher prices for certain goods is admitted, I do not think the wages in agriculture have gone up to the extent of cancelling the advantage ?

A. They have risen 100 per cent.

Q. Since 1914 ?

A. Yes. I may tell you from my experience. I have got about one thousand bighas of land and I am paying more than 100 per cent. more for the agricultural labour.

Q. Your suggestion is that the ryot is less well off now. He has now to incur higher expenditure on production and pay higher taxes ?

A. Yes.

Q. You try to establish a relation between exchange and the wages in the cotton industry. Will you kindly tell us what the relation is actually ? I would like to see your statement amplified. You say in your written statement that wages had been artificially twisted through exchange manipulations in the past two years ?

A. We have explained further. We are trying to compare with Japan and England who are our competitors. Specially we take only Japan and England and compare the conditions there as compared with the labour wages we have to pay. Suppose we have to pay Rs. 1,50,000. At 1*s.* 4*d.* it will be £10,000 ; according to 1*s.* 6*d.* it will be £11,250 and we have shown that by a practical example.

Q. But you do not import your wages fund. You are paying out of your pocket in India. How are then wages twisted up ? Has the labourer been getting more in these two years ?

A. Yes.

Q. The total expenses have risen because of exchange ?

A. We are turning our rupees into sterling and then we are comparing both the importer's and our own expenditure and we say that we have to pay in labour alone 12 per cent. more.

Q. Is it accurate to describe it as having been twisted up ? You have got to meet greater competition, but is it correct to say that wages have been twisted ?

A. I think it is quite correct, because exchange has been twisted and along with the exchange wages have been twisted without benefiting the labourers. In sterling the millowners have to pay 12½ per cent. more than their competitors.

President.—They are not paying in sterling ?

A. They are not paying sterling, but they have to recover for their sale products in sterling. So we have to compare in sterling. When we compare with our competitor

we have to compare in one currency, and that is in sterling. We have tried to compare with our competitors in sterling by taking the wages reduced into sterling and giving the sterling wages.

Mr. Subba Rao.—You mean in that sense ; not that there has been a rise of wages ?

A. That takes place. As a consequence of twisting exchange the wages are also twisted.

Q. It is your point then that the cost of the cotton industry has risen in proportion in sterling ? Then you speak of competition as being greater now as some countries are enabled to cut down their prices owing to the depreciation of their currency. Are you thinking in particular of the Indian markets or the export markets ?

A. Mainly of the Indian market at present, because India has to cater for the Indian market as far as possible.

Q. Yes, and therefore you cannot have this exchange used both ways ? You cannot speak of the imported goods being cheaper on the one side and on the other you cannot say wages have gone up. You must take one line of argument only. Therefore, the exchange won't give you advantage over imported goods.

A. I agree, if you take 12½ per cent. In sterling mills in India have to pay more in wages.

Q. Also it assumes that all the expenses in India have remained the same. With a rise in exchange would there not be a corresponding fall, in certain items, for example, your freights and so on ?

A. There will not be so much saving.

Q. Therefore the only possible increased expense will be as regards wages ?

A. Not only as regards wages but as regards all the expenses incurred in rupees, if you want to convert cotton, for example. Their prices will be paid in sterling and if we compare our rates in sterling, there will be a fair percentage of increase found.

Q. When anybody buys from you cotton, would not that affect his price ?

A. Certainly, it will. But the cotton comes to the extent of 40 per cent. of the cost of manufacture.

Q. And to that extent it is not handicapped ?

A. Yes, if he depends on Indian cotton.

Q. One of your competitors does depend on Indian cotton and any drawback is modified the other way about.

A. Certainly to the extent of the cotton.

Q. And that is about half the expense.

A. Yes.

Q. So there is something to set off against the drawback.

A. When you are considering Japan, I must say that their exchange was very much depreciated till recently. I must mention that. But just now after the Tariff Board has commenced its deliberations, it is 133 Yen to Rs. 100.

Q. Any way there is gold parity between Japan and gold currencies generally and this 12½ per cent. gain, if it is one, is modified by having to pay higher prices for cotton. Therefore the advantage as regards cost of production is modified to that extent, as regards one-half at least of their expenses.

A. But against that, there are several other factors.

Q. I am only dealing with the exchange factor. There is another thing. In these countries you must assume that their other costs have not risen in proportion to the altered exchange rate because speaking as a theorist, I hold, as other theorists hold, that when exchange moves against a country there is bound to be, if not immediately, in course of time, a corresponding change in their expenses, because prices rise and it is only to the extent that costs do not rise in the competing countries that you are at a disadvantage. But whenever their wages or other expenses also rise this 12½ per cent. premium is wiped off. Therefore it is only a question of finding out to what extent your expenses can remain stationary or possibly fall and to what extent their expenses are rising. The level of prices in those countries will rise. There must be either a fall here or a corresponding rise there. Otherwise exchange cannot go on at 1*s.* 6*d.* You cannot manipulate unless you have State support and unless the rate is sustained by alteration. It cannot continue.

A. Certainly.

Q. Therefore the moment you work off the lack of adjustment of changes in India and changes abroad you will be putting an end to the premium on the foreign competitors. But as soon as the adjustments have taken place, there is a rise of wages abroad or fall of wages here. How does the premium continue ?

A. You seem to assume two things. You assume there will be corresponding reduction of wages in other countries.

Q. Suppose there is.....

A. If you go on that assumption, I am not prepared to go with you. I do not think that more supply of cloth to this country, by Japan for example, will at all affect their wages because it is a very small part of all their activities of their wages and labours and I do not think that you should assume that 1*s.* 6*d.* ratio will have any effect of reducing or expanding their expenses. It will have no effect.

Q. I am not speaking merely of India but generally of a rise in exchange. It is bound to lead to certain changes in the level of prices. But I do not want to labour the point.

President.—One point. I take it that your Chamber entirely subscribes to the views put forward by Mr. Madon in the book which he has been good enough to send us ?

A. Certainly. He is one of the leading members of our chamber.

Q. Would you endorse the whole of it ?

A. Certainly. We would endorse many of his views.

Mr. Subba Rao.—With reference to what I was telling you, this was the evidence given by Professor Marshall in 1887 before India had any controversy about exchange. It bears directly upon the present ratio. " It is of course true that India can export wheat or tea more profitably when exchange is 1*s.* 4*d.* than when it is 1*s.* 6*d.*—if you suppose that the fall in exchange has not been accompanied by any changes in prices. But then it is of the nature of the case that it will be so accompanied, and to suppose that it is not, is to assume unconsciously the conclusion against which I am arguing."

A. You will see that it depends upon the individual nature of the case and here, if we are only discussing the textile industry, how does that affect the question ? I do not think that your question will at all stand unless you assume the manipulation of the exchange to 1*s.* 6*d.* is going to affect the wages in other countries to which principle I do not agree.

Q. I merely suggest this. If between two countries you get a change in the rate of exchange that must be either the consequence of, or lead to, an alteration in the level of prices and wages in the two countries. There may be a rise in the one or fall in the other or some rise in the one and some fall in the other. Ultimately at the new level there will be no bounty or penalty to either exporter or importer.

A. If the exports and imports were equal.

Q. Not necessarily, not between the two countries. They need not be. The country's exports must balance the country's imports, but not necessarily with regard to any one country. Our relations are with the whole world.

A. That is a theoretical point. If you apply this to the export industry, I can explain what my views are.

Q. Therefore you assume that there will not be in our country a corresponding adjustment ? You do not foresee any fall in wages to correspond with the alteration in exchange. Nor do you foresee a corresponding rise elsewhere ?

A. Yes. That is so.

President.—But do I understand your Association to contend, Mr. Lalji Naranji, that 1*s.* 6*d.* exchange is a permanent handicap to the export trade ?

A. Certainly.

Q. If that is so and if the 1*s.* 6*d.* exchange is a permanent handicap to this country, does it not follow that a 1*s.* 2*d.* exchange would be a permanent advantage to this country ?

A. There is always a limit to these things.

Q. Where does the limit come in ? If you have 1*s.* 6*d.* as a permanent handicap, it seems to me that the logical consequence is that 1*s.* 2*d.* must be a permanent advantage.

A. We cannot take this to its logical conclusion for the exchange of every country is not any fancy ratio but has to be regulated according to the import and export trade.

Q. And then a shilling exchange would be an even greater advantage.

A. You could even go to zero. Thus there is no end to it, but you have to look to the foreign trade of this country and see what is the ratio best suited to it and also what has been in practice for nearly thirty years.

Q. Then it seems to me that your best plan would be to keep your 1*s.* 6*d.* or 1*s.* 4*d.* exchange for a reasonable period and then in order to get another permanent advantage to reduce it to 1*s.* 2*d.* for 20 years and so on. That is the point on which I have so far got no enlightenment. If 1*s.* 6*d.* is a permanent handicap, then I cannot see how 1*s.* 2*d.* should be anything but a permanent advantage. If you can explain that to me I shall be very grateful.

A. This question has arisen after the war when the ratio was disturbed in abnormal circumstances and there must always be some period in which the adjustment of the country's exports and imports and of the country's exchange ratio will have to be settled. What we believe is that the whole world has gone to the prewar ratio and that there is no reason why India alone should be prevented from going to the prewar level.

Q. That is a different point. I quite admit, everybody would admit, that these periods of djustment are bound to hit somebody and hit them badly. But I cannot see how a 1*s.* 6*d.* exchange can be a permanent handicap.

A. It has been so in practice.

Q. How ?

A. To the ruin of all industries. You see so many applications are coming before the Tariff Board after 1*s.* 6*d.* ratio has been attempted.

Q. But has it been in force long enough for any permanency to be attached to it ?

A. The Millowners themselves say in their statement that if 1*s.* 4*d.* is resorted to, they do not want any sort of protection.

Q. That does not show that 1*s.* 6*d.* is a permanent handicap. It shows that it may be a temporary handicap.

A. So long as it is 1*s.* 6*d.*, it is a handicap.

Q. Do you admit that there will be adjustment ?

A. Yes, there may be, but by the time the adjustment takes place, our agriculture and industries will be ruined.

Q. Do you admit that there will be adjustment with a 1*s.* 6*d.* rupee ?

A. Such an adjustment will take a long time and the intervening period will mean incalculable harm to our agriculture and industries.

Mr. Subba Rao.—You say that the result of this 'monetary position brought about by exchange and manipulations had the effect of making the various intermediaries between the consumers and the manufacturers hold as small stocks as possible and work absolutely from hand to mouth and the whole burden of carrying all the stocks of the country has fallen on the shoulders of the manufacturers.' Does this mean that the stocks that are carried have increased during the last two or three years ?

A. Yes. In the last two or three years it has been the general experience of the manufacturers and merchants that stocks are generally held by the millowners themselves and the reason is as given in that paragraph.

Q. These figures do not go back sufficiently far. We have here figures of stocks for a Bombay mill for 1922-23. You do not know what was the position before 1922. But does it show any great increase in the stocks if you have the previous figures ? Taking 1922-23, there does not seem to be an appreciable increase in the stocks held in that year.

A. From the statement we find the average is 128,000. In the year 1925 it is 125,000.

Q. It is much heavier than in 1922.

A. It has been heavier in 1923 except in the month of December. As it is, 125,000 is too much.

Q. They were not holding so much stock before ?

A. Yes.

Q. I want to get a statement for that.

A. Yes.

President.—What do you call 'a normal holding' ?

A. Seventy thousand bales.

Raja Hari Kishan Kaul.—Mr. Subba Rao asked you whether the effect of exchange was the same at Bombay and upcountry centres. There is a certain relationship between the Bombay mills and the outside mills in regard to the cost of production, that is, with regard to wages and other facilities. That will always remain practically the same. Bearing that in mind, do I understand you to mean that the effect of the exchange has been the same on the Bombay mills as on the outside mills ?

A. Certainly, the effect will be the same whether upcountry or Bombay.

Q. Leaving out those internal differences which always exist ?
A. Yes, but the effect of exchange will be felt by all the mills equally.

Q. You do not think that the difference is greater than the internal conditions would justify ?
A. I think the effects of the internal differences and of exchange have nothing to do with each other. So far as the exchange is concerned, the effect is the same upcountry and in Bombay.

Q. If the difference is insignificant, eliminating those causes of internal difference which are recognised, then we shall have to look to some other causes as well, for the unequal depression ?
A. Certainly all other causes will be known to you when you go on your tour.

Mr. Majmudar.—Do I understand you to mean that if the exchange were fixed at 1*s.* 4*d.* the labour wages would not have to be reduced ? Would you concede that if the exchange were fixed at 1*s.* 4*d.* that would be sufficient to bring them to the right level ?
A. Yes, if the exchange is fixed at 1*s.* 4*d.* there will be no necessity to reduce the labour wages.

Q. Bombay pays higher wages than upcountry. Does Bombay therefore suffer more on account of the 1*s.* 6*d.* exchange in the matter of labour wages ?
A. Not in any particular wage bill, but generally the effect of the exchange is felt equally by the Bombay and upcountry mills.

Q. But if the upcountry mills are paying lower wages, would not the effect on Bombay mills be more than on the upcountry mills ?
A. The advantages enjoyed by the upcountry mills will have to be examined separately.

Q. I will give you an instance—Supposing the Bombay mills are paying Re. 1 per man, that is 16 annas, and the upcountry mills are paying 10 or 12 annas; if the difference in exchange is going to be 12 per cent. in the case of Bombay mills it will work out to nearly 12½ per cent. of 16 and in the case of upcountry mills 12½ per cent. of 10. And so the Bombay mills must suffer to a greater extent than the upcountry mills due to the exchange.
A. You cannot remove the advantages of local circumstances. These are natural advantages enjoyed by the upcountry mills and I do not think any one can remove the advantages enjoyed by the natural circumstances of the places where the mills are situated.

Q. Do you think the prices of cotton will go up if the exchange changes from 1*s.* 6*d.* to 1*s.* 4*d.* ?
A. Certainly if the exchange is fixed at 1*s.* 4*d.*, the price of cotton realised by the cultivators and ryots will be more.

Q. What I am asking you is whether the prices of cotton in sterling, say in America or England, would be affected if the exchange is fixed at 1*s.* 4*d.* instead of at 1*s.* 6*d.*
A. They will not be affected in sterling at all because at present the regulator of the cotton prices is America and America's prices are kept in £ s. d. We do not depend on the rupee prices. The rupee has to be kept as a consequence of the exchange policy. The prices are regulated in the world in £ s. d. and if the exchange is at 1*s.* 4*d.* our cultivator will get more. His holding and purchasing power will be more but prices will not be affected by the fixing of exchange at 1*s.* 4*d.* or 1*s.* 6*d.*

Q. The prices in rupees will be affected.
A. Certainly, the prices in rupees will be higher if the exchange is made 1*s.* 4*d*, and that is what we want.

Q. Do you believe that the increase in the price of cotton would be in the inverse proportion ? That is, 12½ per cent. or whatever it works out at ?

A. Certainly.

Q. Or would the prices be somewhere between the two ?
A. It is a question of supply and demand, but theoretically there will be an increase of 12½ per cent.

Q. And the agriculturist would get so much more ?
A. For all their products except non-exportable crops and that is the advantage.

Q. Is it your view then that in the case of all agricultural produce, the prices would not change in sterling if the exchange were fixed at 1*s.* 4*d.* instead of 1*s.* 6*d.* ?
A. Yes; it will not change in sterling but only in rupees.

Q. And all the advantage will go to the producer ?

A. Yes, the grower. That will be an advantage from the manufacturing point of view. The richer the grower is, the better will be the demand for his products.

Q. The richer the grower, the higher the wages he can pay.

A. That will be welcome. We do not mind paying higher wages then. The wages that we increased during the war time still remain.

Q. You say that the Japanese exchange appreciated after our deliberations started. Is that the considered view of your Association ?

A. It is a fact that I mentioned. It is not the view of the Association but it is a fact.

President.—It can hardly be called a fact. The facts are that, before there was any question of this Tariff Board the Japanese exchange was 129 against its lowest point of 107 and that to-day it is 132 or 133.

A. It is a coincidence that I mentioned.

Q. But had not the appreciation already set in before the Tariff Board was started ?

A. Because they had anticipated the Tariff Board or something like that.

Mr. Subba Rao.—So early as January ?

A. Yes, some steps from the Government of India were anticipated.

President.—Do you consider that the Japanese exchange can now be called a depreciated exchange ?

A. To-day at 132, no, if it is 1*s.* 6*d.*

Q. My point is, can the Japanese exchange be regarded as any more depreciated in respect of the Indian exchange than any other exchange in the world ?

A. Not at 132.

Q. In regard to this question of competition between the Japanese goods and the Indian goods, I was hoping that your Association would do what has not been done by the Millowners' Association. I pointed out to them that they had sent in no samples of Japanese goods with details of their prices. I think your Chamber is possibly in a better position to do that than anybody else. I want samples of goods which compete with the Indian goods with their prices, so that we can endeavour to some extent to repair the deficiencies in our information and see what the range of competition is—a point on which we have so far received little or no evidence.

A. We relied on the Bombay Millowners ' Association and the Piece-goods Association supplying you with the samples. They are dealing in the goods.

Q. I quite agree. But we want to get all the samples we can.

A. Certainly. We will try to send you samples. Only the samples will be of standard goods.

Q. Any samples will do. We want to see exactly what Japanese goods are coming into this country and if you can let us have samples of what you consider standard line, so much the better. The more information you can give us on the subject, the greater help it will be to us.

Raja Hari Kishan Kaul.—With your vast experience in the textile trade, you can perhaps tell us whether prices come down more by competition between Bombay, Ahmedabad and upcountry mills or by competition between Indian mill made cloth taken as a whole and cloth imported from Japan ?

A. *Mr. Lalji Naranji.*—I think competition from within is sufficient to keep prices at a fairly equitable level.

Q. What I mean is this. Do prices come down owing to internal competition, or is it more often owing to competition with Japanese goods ?

A. Fairly and equitably by internal competition—the competition of Ahmedabad, upcountry and Bombay mills. Between mills here there is fair competition, but the competition of the Japanese under unfair conditions certainly has to make the millowners reduce their prices unfairly.

Q. Do I understand you to mean that, ordinarily, prices come down by the upcountry mills competing with Bombay mills, but that sometimes the Japanese goods begin to compete as you call it unfairly and then the prices are cut down so much that not only the Bombay mills but also the upcountry mills have to reduce their prices to too large an extent to be profitable ?

A. Certainly. Over and above what you have said I would only add that the Bombay mills have to compete between themselves also, and not only with the upcountry mills. The mills are competing here between themselves.

Q. I am coming to that. Then we have been told by witnesses that certain mills try to imitate the types manufactured by certain other mills. When they do so, do they also at the same time try to undersell the other mill ?
A. Yes, they do. Those who copy the other mills do try to undercut the prices.

Q. The result being that the prices have to be reduced by the original mills also ?
A. Certainly.

Q. Then the Bombay mills compete with each other and reduce prices ?
A. There is very severe competition between themselves.

Q. Roughly speaking, are the prices of Japanese imported cloth slightly higher than the prices of similar or more or less similar cloths manufactured by the Indian mills ?
A. In the first place, the cloths are not similar. In the second place, the prices of those that are similar are in some cases even cheaper than those of the Bombay mill cloth.

Q. But generally ?
A. They are superior cloths, not similar cloths.

Q. We have been told that where the quality is more or less alike people prefer the Japanese cloth on account of its superior quality. Is that so ?
A. Yes, it is so. It is superior cloth because it is made from American cotton mixed with Indian cotton.

Q. That is, when the cloth is more or less alike the quality of the Japanese cloth is really superior and it is really more valuable than similar Indian made cloth ?
A. You cannot say that. I do not agree that the cloths are alike.

Q. When the cloth looks more or less alike and prices are similar, what you mean is that Japanese cloth is really superior and the price of that cloth as compared with the price of Indian mill made cloth should have been higher but it is not higher, and being about the same price as the price of the Indian mill cloth it is preferred to the Indian cloth ?
A. I believe you are labouring under some misapprehension. In the first place, you assume that the Bombay cloth and the Japanese cloth are alike and that still the Japanese cloth is superior. That is what I do not understand.

Q. Alike in counts.....
A. They are not alike. If you compare them by the counts, by reed and pick and finish they are not alike. There is a vast difference between the Bombay mill cloth and the Japanese cloth. There is one quality—drills, where there is similarity. You can only compare drills. If you compare longcloth, sheetings and shirtings, the Japanese cloth is superior because the Japanese are using American cotton mixed with Indian cotton while here Indian mills only manufacture from Indian cotton.

Q. Do I understand you to mean that if the same cloth which is imported from Japan had to be manufactured here the cost would be greater than that at which the Japanese cloth is sold, and therefore you say that the Japanese cloth undersells the Indian mill made cloth ?
A. Yes.

Q. I want to know whether there is more underselling between Bombay mills and other Indian mills or by importers of Japanese cloth ?
A. There is underselling in very large quantities by the Japanese. The Japanese sell big qua tities.

Q. I should like to know which of the two competitions is greater, the underselling by the Japanese importers or the underselling by Indian mills ?
A. To a certain extent by the Japanese but underselling by the mills is far greater than the underselling by the Japanese.

Q. How much cloth is undersold ? We have not compared the samples. What varieties are underselling ? I want to get this information from you on account of your vast experience of the trade in order to know as to which of these two competitions is severer ?
A. I think the internal mill competition is severe but the underselling is done by Japanese mills. In certain sorts it is heavier.

Q. While the Indian mills compete with each other by undercutting by one anna a pound or so, the Japanese do it by a larger amount ?
A. Not one anna, it is quarter of an anna.

Q. When the Japanese importers begin to undersell they do it to a larger extent ?
A. Yes.

Q. Is it true that there is over-production of certain types of cloth in the Bombay mills? You can probably tell us from the state of the market whether there are certain particular types which are being produced in large quantities for which there is no demand in the market?

A. It so happens that when one mill sells one quality others begin to imitate and there is a stock.....

Q. It is a fact to a considerable extent?

A. Of the same sorts it is so.

President.—Had your Association ever gone into the question of the exact range of competition between Japan, United Kingdom and India?

A. Our Chamber has not gone into that question separately, but on the general question they have, certainly.

Q. What would be your considered opinion on the point? Put it this way. There is a range below which Japan does not compete, say, below 20s. Below 20s does either Japan or the United Kingdom compete with India?

A. Japan can compete even below 20s. I believe Japan tried to send some cloth about 10s or 12s.

Q. Then at the other extremity you have only got the finer qualities from the United Kingdom, though I notice as a matter of fact that there is quite an appreciable import of yarn above 100s from Japan?

A. Yes.

Q. I would like your general idea as to the exact extent of the competition between the three countries?

A. The competition in finer goods is with the United Kingdom, but practically speaking there is very little competition because the Bombay mills have not yet gone on finer counts. So there is very little competition so far as mulls, jaconets and cloth of higher counts generally are concerned.

Q. So there is not much competition between.....

A. Between Bombay and Lancashire, but with Japan there is keen competition because they are competing directly with the goods manufactured by the Indian mills.

Q. What is the range?

A. The range is between 20s to 40s which are the counts spun by Indian mills, and in the cloth manufactured therefrom.

Q. Is there much cloth coming from the United Kingdom between 30s and 40s?

A. No.

Q. There is a certain amount I suppose?

A. Very little. Compared with Japan, the proportion is I think very little.

Q. Do you consider if such a duty were placed on imports of counts between 30s and 40s as would prevent imports, that the Indian mills are in a position to supply all the requirements of India for cloth manufactured from yarn between counts 30s to 40s?

A. It would be very difficult to make that invidious distinction. If protection is given, it should be given for all counts. If you fix 30s and 40s one can manufacture from above 40s. I can make the same cloth, which will serve the same need, from higher counts and then compete. So, I think if any protection is to be given it should be given without any reference to counts. It will not be a practical proposition if you are going to distinguish that counts from 20s to 40s or 40s to 60s should be excluded or included.

Q. We will come to that later on. Your view is that if there is to be discrimination against what you call unfair competition, it should be by country and not by counts?

A. Yes, you should take only a general view as to which country is affecting industry to this country the most.

Q. Can you take that view. You cannot now say, for instance, that Japan has a depreciated currency?

A. No.

Q. Therefore you cannot discriminate against Japan on the ground of depreciated currency?

A. There are other grounds.

Q. There is the ground of double shift working?

A. Yes.

Q. As worked out by the millowners, that gives Japan an advantage of 5 per cent. Do you consider it would be worth while discriminating against any country on account of a 5 per cent. advantage in double shift working?

A. No, 5 per cent. would do no good to Indian mills.

Q. Then we get down to this that there is no ground for discrimination by country ?
A. Mr. Walchand Hirachand.—Except between 1s. 4d. and 1s. 6d.
A. Mr. Lalji Naranji.—That is universal.

Q. Therefore what you advocate is a higher duty all round ?
A. Yes. Then, I think you put the question, whether if sufficient protection is given India will be able to supply all her wants ?

Q. Yes.
A. If sufficient protection was given.

Q. Have you got the cotton to make that cloth ?
A. We can import that cotton.

Q. You know the rules, so to speak, as well as I do, Mr. Lalji Naranji. You know what the Fiscal Commission has laid down on that point. It is that an industry cannot expect protection if in respect of raw material it has no natural advantage.
A. We have got cotton here.

Q. Have you got sufficient cotton of the requisite quality to supply all the requirements ?
A. If there is a good demand, India can supply 30s and 40s cotton. The present tendency is to grow more 30s and 40s cotton. If you like I will give you one example. Where there was five thousand bales of cotton grown in a district in Rajpipla State, to-day we are growing 30 thousand bales, good cotton for 30s, in the course of five years. This is a definite improvement in the course of five years. It is a question of supply and demand. We can supply all the requirements for 30s and 40s.
A. *Mr. Walchand Hirachand.*—If the demand is there, we shall certainly be able to produce cotton, of higher quality, suitable cotton both in quality and quantity.

Mr. Subba Rao.—There is a demand for that kind of cloth now. Is there not a demand now ?

A. Mr. Walchand Hirachand.—Mills have been more or less satisfied with 20s to 30s. The demand on the part of the mills for a higher class of cotton has not been insistent to the extent it ought to have been. The minute they see the advantage they will offer prices sufficient to induce the cultivator to produce higher quality of cotton.

Q. He will see the advantage in having this higher kind grown only when you give him protection ! He cannot see it now. You talk of the mill-owner seeing the advantage of producing higher kinds of yarn. Why does he not see it now ? We are importing a good deal of cloth of higher quality. Why does he not now want cotton of that grade ?
A. Mr. Walchand Hirachand.—Till 1920 or 1921 he has been all on his 20s to 30s and therefore he has not wanted to go into 30s to 40s. It is now that he is looking for higher counts and consequently for a higher quality of cotton.

Q. Would it be unfair to describe that position as lack of enterprise ? Till now, you say, he has not thought of any higher counts because till 1922 he has been making profits on his lower counts ? He never thought of the possibility of producing better quality.
A. Mr. Lalji Naranji.—His full capacity was taken up with the lower counts. The whole of his loom weaving capacity was engaged and it gave him good results with lower counts.

President.—He has more competition in 30s to 40s than he has under 30s. Therefore why should he now be turning his attention for the first time to counts between 30s and 40s when he has to face more competition there than in counts below 30s ?
A. Mr. Lalji Naranji.—There is a better demand for 30s to 40s.

Q. To what do you attribute that ?
A. Because of the foreign imports the demand has been for a superior cloth. We can supply better cloth by spinning 30s and 40s.

Q. Why has the demand for better cloth grown now ?
A. We have progressed. We always like to have better things. That is another reason.

Q. So, there is a tendency on the part of the consumer to go in for cloth of better quality ?
A. Certainly.

Q. That is your view. I am very interested to hear it, because that is not the view of the millowners. You are in a better position to judge than they are ?
A. They are manufacturers.

Q. You are the better judge of the two ?
A. The millowners themselves are now manufacturing better cloths.

Mr. Majmudar.—Were the exports of cloth to India from the United Kingdom mostly of the medium and fine counts or mostly of coarse kinds ?

A. Fine counts. Above 40s. Nothing under 30s.

Q. The import of that cloth has gone down considerably ?

A. For 1925 (for year ending March 1925) it was 1,622 million yards and for 1926 (for year ending March 1926) it was 1,293 million yards.

Mr. Subba Rao.—Are they not very much less than before ? If you take the prewar average it was certainly 600 to 700 million yards higher than now.

A. I do not see we are getting now any less imports from the United Kingdom.

Q. They are less than before ?

A. The total in 1925 was 1,840 million yards.

Q. The prewar average was about 2,500 million yards. So there is a deficit of 700 million yards.

A. Consumption has also gone down. It was 19 yards per head. It has now come down to 12 yards.

Q. How do you get that calculation ?

A. It is the Government calculation.

Q. If we compare the total consumption in India prewar and now, there is not that gap you suggest. You do not get that big difference. As a matter of fact present day consumption is practically equal to the pre-war average. You said 19 yards. Multiplied by 300 millions it comes to 5,700 millions for a year ?

A. Roughly the figures are that consumption was 19 yards per head and it has gone down to 10 to 12 yards.

Q. I should be glad to have the basis for that figure. This is a big decrease these figures suggest. It appears to me that this very considerable decrease in imports has been made up in large part by locally made cloth. The mill production used to be about 1,000 million yards. It is now 1,950 millions. So it seems to me that the decrease in foreign cloth has been made up more or less by local production. I should like to see these figures.

A. We will send you the figures.

Mr. Majmudar.—You say people like a fine or medium quality of cloth whereas we find that the imports from the United Kingdom have decreased. So your statement is not supported by figures ?

A. I will just tell you why I suggest that people like fine cloth. From 20s to 40s Indian mills are manufacturing cloth. From the same counts Japanese goods are made and sold and they appear better, and certainly people like to have that better cloth.

Q. Those are the medium qualities of cloth ?

A. Yes, between 30s and 40s.

Q. Is it not likely that the Indian mills are now practically monopolising the supply of the coarse quality of cloth in the market and that they now find that there is an overproduction in that quality and therefore they must manufacture medium quality ?

A. It may be so.

Q. Have many mills made efforts in that direction ?

A. Recently so far as I know.

Q. Only recently ?

A. Yes.

Q. Before that they had not ?

A. No, they had not gone on finer counts.

Q. Up to 40s or above 40s ?

A. Up to 40s.

Q. Then, with reference to the question of levying duty on cloth by counts, you are afraid that the manufacturer would put in 44s. instead of 40s. If the *limit* is fixed in 44s instead of 40s would that not provide against the evasion ? A slight difference at count may not increase the cost to the manufacturer, but if he were to supply a much finer quality the cost is sure to go up and it won't pay him to do so. Even then is it your opinion that there should not be a duty by specific counts ?

A. I think so. If protection is to be given it must be given freely and not restricted by certain counts or by certain weights. That will be minimising the effect of the protection. If protection is to be given it should be given with a broad and liberal mind and the effect of that should be seen because protection could be stopped if it is falling heavily on the consumer. But protection given in a restricted sense to my mind will be of no use.

Q. If the competition is in particular counts ?
A. Competition shifts from one count to another.

Q. Up till now the Indian mills had practically confined themselves to coarse counts. It is now that they are going on to medium counts. If the import duty is put on cloth of these counts, it will be advantageous to Indian mills. When the Indian mills think of going on to fine counts, the question will arise about a duty on fine counts.
A. But they are at present going on to finer counts so far as I know. They ought to go.

Q. But they are not going to the extent they should even in the medium counts up to 40s ?
A. That is quite right.

Q. Even then, you would not think it advisable to put a duty based on specific counts ?
A. I would not like to do that.
President.—Your Association, I understand, considers that there is very little room for improvement in regard to mill management. What they say is that on the average there is not much to complain about the management.
A. There is room everywhere for improvement. We do not say it is perfect, but still the management has been good in the past from every point of view.

Q. You consider that the results obtained before the war were satisfactory ?
A. Mr. Walchand Hirachand.—Yes, under the circumstances they were satisfactory.

Q. There is one point on which you should be able to throw some light. One of our questions is whether Managing Agents receive any commission on purchases of cotton, on purchases of machinery, millstores and coal, on sales of cotton, and on sales of yarn and cloth. You at any rate should know what the practice is as regards commission on yarn and cloth.
Mr. Lalji Naranji.—In some of the mills the Managing Agents are interested.

Q. I was thinking of the commission the Managing Agents get on sales of yarn and cloth. What is the rate ?
A. The rate of commission is 1 to 1¼ per cent.

Q. It has been stated that, in some cases, the Commission Agent really works for only half of that and the other half is returned to the Managing Agents.
A. So far as my experience goes I do not think that any return is made to the Managing Agent. If the Managing Agents get anything, it is because they have in some cases interest in the selling agencies. But they do not get anything by way of return or rebate.

Q. The statement was to the effect that the Managing Agents pay a commission of one per cent. and receive back half per cent. which is credited to them and not to the company of which they are the Managing Agents.
A. I think that statement is absolutely false, except in one group where the Managing Agents are the selling agents themselves. But that one group which runs its own selling organisation takes all the risks which the selling agent is expected to take. They are paid for their services.

Q. I am not thinking of the selling agency system.
Mr. Walchand Hirachand.—It is more or less a combination. The selling agent is not only a salesman but at the same time he is a guarantee broker. The guarantee of risks is included in that. But the tendency really is to reduce. One big group places its selling agency commission from 12 annas on long cloth to about Rs. 1-8-0 for fancies. In the mofussil the mills are doing it for a half per cent. The tendency is to reduce and cheapen. I am speaking from experience. I can give you the names of mills who are giving only half a per cent., or 12 annas and Rs. 1-8-0.

Q. What I am asking about is this question of returning part of the commission to the Managing Agents.
A. I do not think there is any return. There is only one group which runs their own selling agencies and also runs the risk. Therefore they are paid for services actually rendered in addition to those risks.

Q. Does the rate of commission vary very considerably between the different mills ? I understand from you that it varies from annas 12 to 1½ per cent.
A. Yes.

Q. Which is the more common rate ?
A. ½ per cent is for the upcountry mills, but the expenses of running the shops in Bombay and of the establishment of the selling department are very considerable.

Q. So the range in Bombay is from ¾ per cent. to 1¼ per cent. ?
A. Yes.

Q. And for that the commission agent takes all the risks ?
A. Yes, he guarantees all the sales.

Q. It would seem that it is one of the costs of production which has been kept down.
A. Yes.

Q. It would seem *prima facie* that the remuneration for the risks involved is a very reasonable one. Passing on, there is one point in your representation that I should like to correct. You say that the Tariff Board seems to give some weight to the charge that the cotton millowners are unduly liberal to their operatives in the fat years " if question 65 is read between the lines " ? None of our questions can be read between the lines. There is no hidden meaning in any of them. Our object merely is to elicit the facts. Is it your view, dealing with this question of commission agents, that the mills are well advised to leave that part of their duties which relates to sales to people who are more competent to deal with them than they are ?
A. Yes, because we have separate divisions of work; one is manufacturing and the other trading work. The manufacturing work should be done by the millowners. If the duties are divided, they will be done to the satisfaction of the industry and to the benefit of the industry.

Q. One point arising out of that—a point on which you have already expressed an opinion to some extent and which I would like you to amplify a little further—is how far you find that the mills act on your suggestions. I take it is your duty to bring to their notice special lines for which there is a demand. I rather gather from what has been said they are not always alive to the facts that you place before them.
A. Suppose I bring to their attention a superior cloth. They try to do it. But if their machinery is suited for 20s and even for 40s they may not be able to carry it out. They cannot change the machinery at a moment's notice. They want more preparations for coarser counts and they want fewer preparations for finer counts. Adjustments have to be made. It is not sometimes possible to do that. We bring to their notice some samples which would sell better, and they calculate which is the better one. But still they may not be able to manufacture them. Of course we have to bring to their notice all the samples selected by other mills as well as by the importers. Many of our samples are coming from Manchester. But we cannot make similar cloth though we can make similar designs. All these things are fully gone into by the millowners themselves.

Q. Do you really think that the millowners are sufficiently alive to changes in demand, to the altered requirements of the consumer ?
A. Certainly they are.

Q. The argument is that the Millowners like everybody else are apt to get into a groove and statements have been made to us by several witnesses that Ahmedabad is far more in touch with upcountry demand than Bombay. I should be glad to have your views about that.
A. I disagree. I do not think that Ahmedabad is in better touch. On the other hand Bombay is in better touch because it is a centre for imported piecegoods. There are people who buy the imported goods. They will acquaint the Bombay mills with their experience and Bombay mills in that respect will be in a better position to know what are the demands of the different parts of India. Bombay is the chief centre from which the imported goods are sent to various places. The buyers of imported goods are here and they acquaint them with certain sorts which they are importing. Especially when the political movement for using the Indian cloth was at its height, every merchant in imported goods wanted to try if the mills here could manufacture the same sorts. I have already pointed out the difficulty that the mills are not meant to manufacture fine counts, but still they make attempts and with success too. There is one class of goods in which I am personally interested and I know that we have succeeded in ousting the imported goods.

Q. Can you tell us what it is ?
A. I think it is a secret which I cannot allow others to know.

Q. I do not blame you; but you see that when we do hear of a line which is competing with imported piecegoods, we are not able to get details of it.
A. Your question is whether Ahmedabad mills are in better touch with requirements. What I say is that Bombay is in a better position than Ahmedabad or any other centre in these matters. Calcutta may be in the same position as Bombay.

Q. That is the point I was now coming to. I want to know whether commission agents generally keep the Bombay mills in touch with the needs of the Calcutta market ?
A. We have our own branches in Calcutta, Cawnpore, Karachi and other places with big establishments.

Q. But is it sufficient to have a branch there. How often do you go there ?
A. The millowners themselves go and visit those places.

Q. Does that often happen ?
A. Twice a year and it is sufficient.

Q. Would you say that the average Bombay millowner went round with the Commission Agents twice a year to visit the upcountry markets ?
A. I think every millowner does go there.

Q. Is it not rather exceptional for the average Bombay millowner to go round with his commission agent to upcountry markets ?
A. No. I am thinking of big groups like the Currimbhoys some of whose partners go to these places. Then, Sassoons. There is a responsible officer going round. Partners in Wadias go and visit. Tatas also do the same thing. They are acquainted with the requirements of those centres and it may be very interesting to you to hear that so far as the Ahmedabad mills are concerned they are paying to those upcountry centres no less than 2 per cent. for selling agency, while Bombay mills are paying 1¼ per cent.

Q. In addition to your 1¼ ?
A. No, we get only 1¼.

Q. That includes expenses and everything ?
A. Yes.

Q. I should like to know what your position is in regard to the upcountry branches. Have you got your own branches ?
A. Yes, not our agents. They are called *adathiyas*. We have got our own sales people on the establishment and the name is given of the mills that we represent.

Q. Then in addition to that you also pass on to other smaller people ?
A. No; only to the merchants. There are no middlemen; we sell to the various merchants there just as we sell here in Bombay.

Q. But those merchants will be middlemen ?
A. The wholesale purchasers take from us and we sell two or three months in advance. There are two parties for wholesale and for retail sale.

Q. There are two people between you and the consumer ?
A. Yes.

Q. It might be three. I suppose the wholesale merchant might sell to a smaller wholesaler ?
A. No; he does not. We sell to the merchant and he sells to the upcountry people. I sell to a merchant in Calcutta and he sells to the upcountry men.

Q. You say you sell to a merchant in Calcutta. Might he sell to a merchant in Delhi ?
A. The selling arrangement is like this. We have places like Delhi, Amritsar, Cawnpore, etc. The Delhi merchant sells to certain village traders round about Delhi. The Calcutta merchant supplies round about Calcutta, and so on. Each has got a circle of its own, which extends say for 60 or 80 miles round about the place. The Calcutta merchant will not sell to a Delhi merchant but only to those who are served by the Calcutta market.

Q. Does the little man in the village shop buy from the merchant or from you ?
A. In the Presidency town, the villagers come to the town to make their purchases. For different purchases there are different merchants and they come to the merchants and buy from them.

Q. I am not quite clear about the practice. You sell to the wholesale merchant and he sells to the man in the village ?
A. Yes, to the merchant in the village.

Q. Does the small merchant in the village go to a wholesale man in Calcutta ? Would not there be any other smaller wholesale merchant ?
A. No. In Calcutta you will see in a building three or four floors high all the cloth exhibited, the different dhoties exhibited, different borders, different designs and so on and the purchaser comes and gets the goods.

Raja Hari Kishan Kaul.—Are not there smaller wholesale merchants in smaller towns round about Calcutta ?
A. Yes.

Q. They would buy your cloth and they would supply to the merchants in the villages round about ?

A. Villagers come to Calcutta.

Q. 100 to 200 miles ?

A. Yes, they do.

Q. What do these wholesale merchants in smaller towns do ?

A. In smaller towns there are not wholesale merchants. They sell all sorts of goods. In the Presidency towns one is dealing in grey goods, another in fancy goods. If one man is dealing in grey and fancy goods, he will have separate shops for each class. So the wholesale man always deals in a way convenient to the villagers round about to come and make purchases from him.

A. *Mr. Walchand Hiruchand.*—It amounts to there being only two middlemen from the mill to the consumer whether he is in a town or village. Here for instance the consumer is the labourer, the mill operative or say the middle class clerk, who wants to buy a dhoti. Once the wholesale merchant has passed on the cloth, then the second is either the Stores, the Swadeshi Stores or the Parel Mill Stores, or shops in the distributing centres. These are the middlemen. The same happens in villages. A village man, even a man from a village with a population of 2,000 comes to Bombay and buys in the Mulji Jetha market and the cloth goes directly to the retailer. There are only two middlemen—very rarely a third man. I have compared the conditions elsewhere, in other countries. Ours is the cheapest.

President.—It seems a little difficult to believe that a man in a small upcountry village buys direct from the man who buys from you. That is why I have been hammering at this point.

A. I will give you the actual facts. In Sholapur a merchant from Kharda or any other village with a population of 3,000 or so comes to my shop in Sholapur. All he buys is one or two bales. Sometimes he makes up a bale by different varieties. He goes back to his village and the village agriculturist goes to him and buys one dhoty or one saree. So there are only two middlemen in between the direct consumer and the millowner. The selling agent is not a middleman. I do not call him a middleman because there is no profit in his case except that 1 per cent. or 1¼ which may be considered very reasonable for services rendered.

Q. I suppose the commission agent is really to some extent the officer in charge of the sales department of the mill ?

A. Many mills have their own selling organizations and in that case there is no selling agent at all.

Mr. Subba Rao.—What is the position of the guarantee broker ?

A. The selling agent is also the guarantee broker. He has to anticipate the demands of the market.

Q. He represents the wholesale dealer ? You spoke just now of the wholesale buyer and the retailer in the village. Where does the guarantee broker come in ?

A. *Mr. Lalji Naranji.*—He represents the mill. He sells goods on behalf of the mill.

Q. So there is one more person through whom the goods must pass ?

A. He does not stand to make any profit, except his guaranteeing.

Q. He gets the commission ? I am speaking now of the various people who bite off so to speak a little of the profit. There is the retailer, then the wholesale dealer and the guarantee broker who gets the commission. So the cloth is charged now with three commissions ?

A. Not three commissions. There are two persons who make commission, the third man is paid expenses for organization. Here are two men standing to make profit or loss. The other is engaged as a paid man, just as an officer of the mill. He does not stand to lose. So far as the guarantee broker is concerned, he loses if the party to whom he has sold fails to make the payment.

Q. So he is in the same position as the other two people ?

A. *Mr. Walchand Hirachand.*—But he is not affected by the ups and downs of the market at all.

A. *Mr. Lalji Naranji.*—If the guarantee fails, if the men do not pay, he loses.

Q. You say that the industry should only be concerned with industrial problems, that is to say production ; but is it a fact some of the managing agents are also guarantee brokers ?

A. In Bombay they are.

Q. Would that not violate your rule about separation of selling function from that of production ?

A. Certainly, but they want to undertake the risk of guaranteeing. For that purpose they undertake it.

Q. From the point of view of production in the country it is rather an undesirable combination, this combination of the technical side of production and the commercial side ?

A. *Mr. Walchand Hirachand.*—There is only one group in Bombay where the managing agents are themselves guarantee brokers, and that is not run by themselves. What they have done is to take up a smaller man in the trade and it is that man who runs it. He is an expert man in his own line and it is that man who runs the show, and as the group is a very big group the managing agents thought it the proper thing to take that risk and leave it to one smaller man.

President.—Do you consider that this system in present conditions has a good effect or the reverse on the financial stability of that group ?

A. It is rather a middle step between mills choosing to run their own organization or leaving it to guarantee brokers. It is a fusion of having the advantages of an independent outside guarantee broker and at the same time having a direct control.

A. *Mr. Lalji Naranji.*—You ask about the principle ; you do not ask about any particular group. It is not a good principle on the ground as the President just put it, that it will mean less finance to these people. If the obligation of financing merchants is divided between the selling organization and the manufacturing organization it will be better, because if the same organization is the manufacturing and selling organization then certainly it will clash as a matter of principle. I do not criticise any one group.

Q. Certainly not. We are not here to criticise particular mills. We want to know whether the principle is sound or not.

A. My Chamber is distinctly of the opinion that there should be two distinct duties, and if they are divided it would add more facilities for those merchants to handle the goods.

Mr. Subba Rao.—Would you similarly differentiate between the manufacturing and the financing side ? Now it is combined by the managing agents. Do you think it is a desirable combination, or would you separate the two functions ? Just now the agent to a large extent makes loans to mills. Do you consider that a desirable thing ?

A. There is no other alternative, because if you go to the root of the starting of mills you will find that the managing agents by subscribing the capital and by finding the capital have started them. They have even gone in for supplying working capital.....

Q. That is the historical development. Do you consider it a desirable association at the present time or do you think the working agents should be separate from those who finance ?

A. I do not think it is undesirable for this reason, that the men having interest would work with better care.

Q. With better knowledge also ?

A. With better knowledge also. If I have got my money in a certain industry, it is my duty to get a knowledge of that industry. If I do not I shall not be doing justice to my investment. It will not be out of obligation to others, it will be out of obligation to my own investment that I will care to get knowledge about the industry.

Q. You think the general run of managing agents possess the knowledge, or do they depend on paid agents ?

A. They have got average knowledge in most cases.

A. *Mr. Walchand Hirachand.*—Instead of theorising, may I amplify the point. Why not take the history, the forty years history of the cotton industry.

Q. I am merely developing one of your own points. You spoke of the need for separating salesmanship from works management. I raise for your opinion a similar contrast between finance and workmanship.

A. For forty years it has been good.

Q. It is a short period in the life of a nation. I was thinking not merely of the present but of future development.

Mr. Majmudar.—You said the village merchant comes to Sholapur to purchase goods. Is it for Sholapur goods, or for goods made in Bombay or in England ?

A. Generally Sholapur mill goods.

Q. Does he also purchase in Sholapur goods made in Bombay ?

A. Very rarely.

Q. Generally you believe that the small merchant comes to Bombay and makes purchases directly from the wholesaler ?

A. He does.

Q. In all cases ?

A. Generally. I cannot say in 100 per cent. cases. I know merchants from Bundargi who come and buy.

Q. Do not the village merchants purchase mostly on credit ?

A. The village merchant does.

Q. And does the wholesale dealer give credit to all these village merchants directly ?

A. Sometimes the shroff does come in to the extent of the interest which he will have to pay whether it is to the wholesaler or through the shroff.

Q. So according to your information all the village merchants come to Bombay and purchase directly from the wholesaler ?

A. Not a man from the south of India, but round about, the bulk of them come to Bombay.

Q. A merchant from Trichinopoly or some village near Trichinopoly, would go to Madras and purchase directly from the Madras wholesaler ?

A. I do not know about that.

Q. So your observations are not in regard to all the markets in India ?

A. When I am describing I have Deccan, Gujarat and Bombay in mind.

Q. Then, with regard to the managing agency and the selling agency systems, when you say that it is difficult to work them together, does that necessarily mean that the selling agency should be a separate agency altogether ? The work could be divided and still the work could be carried on by the managing agents by employing men on their establishment. I do not think it is difficult. I think most of the smaller mills do that.

A. *Mr. Lalji Naranji.*—Not with the best results. My experience is that those who have had separate selling agencies for years are faring much better because their responsibility is divided not only in selling and financing but even in anticipating the demand and even being the guides of what the wants of the market are. You cannot expect a manufacturer to be familiar with the requirements of each different market. When you have got a selling organization that selling organization acquaints the mills with all kinds of demands in separate districts, because India is practically divided into centres, into about six or seven groups and you have to know about all the six or seven groups. But he has not got the time.

President.—How many mills are there in Bombay that do not employ commission agents ?

A. About half the number of mills. The reason is that those mills that are small have very little business to look after in their mills and they can certainly devote their time to this. They can look after it in the same efficient way.

Mr. Majmudar.—In the mofussil, how many mills have got selling commission agents ?

A. In the mofussil just as I told you. In Bombay it is quite a different thing. Your selling organization must be in a separate market. But their towns being smaller in the mofussil they can certainly look after that. They pay to their guarantee brokers or to those who will bring them business.

Remedial measures

President.—Now, we come to the question of remedial measures. You suggest that Government should carry on negotiations with shipping companies with a view to secure cheaper freights. Would it not probably lead to speedier and possibly greater results if a combination of the millowners were to carry on such negotiations ?

A. On this point I have some views. It is very unfortunate that in India all such enquiries as for example this enquiry by the Tariff Board are all conducted in water-tight compartments. The interests of the country are not treated as a whole. You are restricted to enquiries about the textile industry, but there are other industries, engineering and other industries also which affect the whole question. In the same way this is also a similar question. We have stated in our reply to your questionnaire that every country if it wants to develop trade must have its own mercantile marine. That is the view held strongly by our Chamber. Even the smallest country with the smallest coast line has its own mercantile marine, while unfortunately India has not and the trade of India is handicapped not in one respect only but in several. Why can Japan compete so successfully ? If they had to depend on the B.I.S.N. or other Companies they would not have been able to compete, but as it is they are competing successfully

by bringing cloth cheaply and taking away cotton cheaply. It may not be within your terms of reference and I do not want to lay any great stress upon it but I want to point out that Committees are handicapped, that they cannot do justice to the case unless the whole question is taken as one. It is only then that the question can be solved.

Q. You want something on the lines of the Royal Commission on Agriculture for trade or for industries or for both ?

A. I say for both. This question of the mercantile marine is of such serious importance. The Bombay mills and the Indian mills have lost African markets, Mesopotamian markets and markets as near as Aden which need to be called the port of this Presidency. We are now losing. Why ? Because we have not got our own mercantile marine. Our rates are so ridiculously high. We cannot expect these millowners to start a mercantile marine. If only Government had carried out some of the suggestions of the Mercantile Marine Committee which are found to be shelved, I think much of this problem would have been solved. It would have been of great help but unfortunately nothing has been done.

Q. The point that arises out of this question, Mr. Lalji Naranji, is this. You say that freights to Aden are ridiculously high. We should like to have facts and figures in support of that contention ?

A. In the first place, Sir, which are the boats owned by Indians and which is the Indian Mercantile Marine which will carry your goods at good rates. I will give you the figures if you want them. In the Millowners statement it is given as Rs. 22-8-0 per ton.

Q. I want to know how that is ridiculously high ?

A. *Mr. Walchand Hirachand.*—Because of the monopoly which one foreign company enjoys. Although the Indian Mercantile Marine Committee's report was unanimous, with the exception of one gentleman who had a vested interest, Sir Arthur Froom, the Government of India sit tight on it. It is most extraordinary that though the report is unanimous, with the sole exception of a representative of the P. & O. Company, the Government of India still want to oppose it. Most extraordinary. How on earth are we to expect to have cheaper freights ? Here there is one glaring example. Bombay to Aden is Rs. 22. From Manchester which is five times the distance we can get our goods at about 20*s*.....

Q. Would not a more striking example be the freight to Portsaid which is 20*s*. while the freight to Aden which is half way is Rs. 22-8-0 ?

A. *Mr. Lalji Naranji.*—That is because India has to depend on the foreign marine.

A. *Mr. Walchand Hirachand.*—A virtual monopoly. That monopoly does not allow a single Indian vessel to exist.

Q. That may be a general handicap, but is it a special handicap to the cotton textile industry ?

A. *Mr. Lalji Naranji.*—It is in this way. I will just point out that Japan can supply all the requirements of Aden, of Mombasa and Zanzibar which markets were supplied for ages by India. Now we have lost those markets because the Japanese freight being cheaper, the Japanese can supply cheaper.

Q. Can you give us any figures showing the freight from Japan to these ports ?

A. The Japanese won't give them to us.

A. *Mr. Walchand Hirachand.*—It is very difficult to get anything authentic out of Japan, particularly for us in India.

Q. We have nothing to show what the actual rates are from Japan to these ports. We have got the freights on yarn from Osaka to Mombasa. I think it is 65 yen per ton and 10 per cent. rebate, *i.e.*, about 59 yen. It is about Rs. 75 to Rs. 76 via Bombay.

A. *Mr. Lalji Naranji.*—Direct it must be less. But even there, Sir, I think one thing should be taken into consideration. I think they have got agreements of which we do not know. If there are agreements with the various Lines and profits are shared in a particular way there will be some reduction. So these rates should be taken with a certain discount.

Mr. Subba Rao.—You suggest that they are getting special bounties and favours ?

A. If we had our own mercantile marine we could have competed successfully by supplying our goods to distant lands.

A. *Mr. Walchand Hirachand.*—The difficulty is that we do not know what our own Government is paying to B.I.S.N., what ordinary subventions are paid. Then how can we know what the Japanese Government is paying to the Japanese steamer companies. We do not know what is happening in our own country.

Q. *President.*—So your recommendations on this point can be shortly summed up. They are the recommendations of the Mercantile Marine Committee should be put into speedy operation. Is that it ?

A. *Mr. Lalji Naranji.*—To enable India to have her own Mercantile Marine.

Q. As-regards the other minor recommendations of the millowners, I see you support the abolition of the company super-tax ?

A. Yes.

Q. I should like to point out to you as I did to the Millowners, that this is merely a tax on profits and it does not seem to me that the abolition would make any substantial difference to the mill industries.

A. Yes, it would in this way. There are profits and losses. If at the time of big profits they are deprived of them by way of super tax they will not have anything for substantial reserves. If they have substantial reserves, they can face bad times. Times good and bad will come and if they are deprived of the profits in good times, then they will not be able to face bad times.

Q. Do you consider that they made sufficient provision when they had a good time, for the bad time ?

A. Yes. They made sufficient provision. You can see from the figures that the Indian mills have preserved the profits very well. They have paid good dividends. They have managed their affairs very well during good times.

Q. What do you call a good dividend ?

A. If they distributed half the profits as dividends, then it is a judicious dividend.

Mr. Subba Rao.—Do you find from the figures that your dictum has been observed ?

A. In 1917 the net profit was 3 crores and the dividend paid was 1,69 lakhs.

President.—But there are other things besides.

A. Out of the net profit they have given half as dividend.

Q. Just take the case of 1918 ; that was the beginning of the boom and there was no reason to consider that it would last. You see that out of a net profit of 228 lakhs, 198 lakhs were paid out in dividends. Do you consider that sound finance ?

A. No ; I do not think it was. It ought to have been a little less.

Q. Practically the whole of the profits were paid out as dividend. There you get the beginning of a good time, when it was obviously desirable to build up depreciation funds and reserves and yet 90 per cent. of the profits were paid as dividends.

A. They never anticipated that Government would manipulate the exchange and ruin the industry.

A. What about the three or four following years ?

A. From that year the reverse council bills began. They began in 1919.

Q. But look at the profits of 1919, 1920 and 1921. Again look at the figure for 1922 when the boom was over. When it was coming to an end you still get three-quarters of your profits paid away as dividends.

A. May I point out that in our written statement you will find that we are complaining about some facilities from bankers, and that sometimes to please the shareholders they had to give good dividends. That is not sound finance—but the circumstances are to be taken into consideration.

A. *Mr. Walchand Hirachand.*—You see again on the same page that out of a capital of 19 crores 23 crores have been placed to reserve on a block of 46 crores so on average the block has no capital debt now. That is the average and this position will read much better if you eliminate this block account.

Q. They also make the dividends read rather better too.

A. Yes ; certainly. So we have conserved and self denied to a large extent. There are 67 mills quoted in ' Capital ' for Bombay alone and they make a much better reading than this comparison given by the Millowners' Association. "67 Textile mill companies quoted on the Bombay Exchange, having 34,31,076 spindles and 69,322 looms, have a paid-up ordinary capital of 17 crores with debentures for 3 crores. These have in reserve and other funds about 33 crores, while they have spent on their block about 52 crores. This clearly shows that the Mills have conserved from their past earnings about twice their capital and have today, on the whole, no capital debt, in spite of the serious depression during the last three years." These figures are taken from ' Capital ' of 22nd July 1926, page 164. Then we take the Calcutta exchange. " 22 Textile Mill companies quoted on the Calcutta exchange having 10,97,110 spindles and 12,875 looms, have a paid-up ordinary capital of 5½ crores with debentures for nearly 84 lacs. These

have in reserve and other funds about 8 crores, while they have spent on their block about 13 crores.

Q. The net result of which is to show that the Bombay mills are in the sounder financial position ?

A. Although it is a fact, I am not driving at that. But in the past we have conserved our reserves considerably and after having extended the mills three times the ordinary investment, I think we are justified in giving a little more dividends than otherwise we would have done. I think we are justified, after having wiped off the whole of our capital debt and extended our mills three times than our ordinary capital would allow, in giving a little more liberal dividend.

Q. These combined statements are interesting as giving a general idea but they are a little misleading in some respects. However, it is interesting to have your views on this point. Have you thought at all of what countries should be the first to have Trade Commissioners if the Millowners' Association's suggestion on this point were accepted ? If the Government of India were to accept the idea they would probably want to try one or two Trade Commissioners as an experimental measure to see whether they were of any use.

A. We have been representing this to the Government of India for the last 15 years that we must have Indian Trade Commissioners in several parts of the Empire, specially in the East, where we have our big markets especially in Japan, China, Turkey, Africa and Western countries. But first we should begin with eastern countries.

Q. There was a Trade Commissioner in East Africa for some time. But did you or anybody else make any use of him ?

A. I think we mentioned that there should be an Indian Trade Commissioner. The Trade Commissioner was there but we have not heard anything about him. It is his duty to acquaint himself with the manufacturers.

Q. I can only point out that there was a Trade Commissioner, Mr. Leftwich.

A. *Mr. Walchand Hirachand.*—I know him personally. He was a friend of mine when he was in the Central Provinces and he must have done very well. But the year for which he has written the report must be a boom year.

Q. In 1922 he told the Bombay Millowners' Association that the Japanese sheetings had completely ousted the corresponding Bombay mill goods and brought other criticisms and suggestions before their notice. Similarly in regard to Indian blankets in regard to which they were threatened with serious competition from Holland.

Mr. Lalji Naranji.—It was the year in which there was no cause of depression.

Q. That is just my point. If you are going to take no notice of what he recommends in boom times, how can you expect to survive when the boom is over ?

A. It is a principle that first you have to supply the local demand and if you have got any surplus above the local wants then you go in for outside markets. Now in the year 1922 that was the year when the big imports began to arrive. 1921 was the year when big imports were made and 1922 was the beginning when we could give some surplus to the outside markets. But at that time the blankets were manufactured in very small quantities in Bombay mills. This has been taken notice of at once and they are manufacturing them now in very large quantities. So you see that they have not been slow in taking steps with regard to the recommendation.

A. *Mr. Walchand Hirachand.*—Not only that, but there were various complaints about the Trade Commissioners. We will send you the literature on the subject if you want it. That is why we said that these must be Indians. They must be necessarily Indians. Otherwise they are no use to us. We are very emphatic on that point. They should necessarily be Indians.

Q. Here is a specific case in which the Trade Commissioner could have been of use but sufficient advantage was not taken of him.

A. *Mr. Lalji Naranji.*—I told you notice has been taken and acted upon. Since 1922, blankets have been manufactured largely and we are supplying a lot of blankets even to East Africa. Even the mofussil mills are trying to manufacture the blankets. There is no negligence on the part of the millowners to take advantage even of the European Commissioner. I may give you one instance. In London the post of the Assistant Trade Commissioner was first given to an Indian. But afterwards an European was also appointed as junior assistant Trade Commissioner. The Indian Assistant was asked to visit unimportant firms and the European Assistant was visiting important firms. If you hold that no notice has been taken of the recommendations of Mr. Leftwich I may tell you that the manufacturers have taken notice at once. I am merely removing that misunderstanding. About sheetings also they tried to sell the sheetings there. But Mr. Leftwich had no consideration about the freights, how they adversely affected us.

Q. As regards the Assistant Indian Trade Commissioner in London I take it it was merely a question of seniority. The Indian Trade Commissioner would naturally undertake the more important work in preference to his assistant.

A. The First Assistant Trade Commissioner was an Indian. He was not given any important work. That was the complaint and we represented this to the Government of India.

Q. I do not know where you got the information from. I have been Indian Trade Commissioner myself and can assure you that the Assistant Trade Commissioner used to do very important work. But the present point is where do you consider this Trade Commissioner would be most useful ?

A. In the eastern markets first; in China, Japan, Turkey, Mesopotamia, Aden and the African markets, in London, New York and everywhere else. The Trade Commissioner will not only help the textile industry but also the other products of the country.

A. *Mr. Walchand Hirachand.*—We would like the London Trade Commissioner to be an Indian in any circumstances.

Q. I do not think it is a question which arises out of this enquiry.

A. But it is one of the remedial measures that Indian Trade Commissioners should be appointed in various places to look after Indian interests.

Q. It is hardly for this Board to discuss the question of his nationality.

Raja Hari Kishan Kaul.—Have you any idea as to what the remission of Companies' super-tax would amount to ?

A. *Mr. Lalji Naranji.*—We cannot exactly work it out.

Q. At present the total income from super-tax is 6 crores. Have you any idea as to how much of that is covered by the Company's super-tax ?

A. We are paying 1 anna super-tax.

Q. It must be the same for all companies and not for the cotton textile mills only.

A. Yes.

President.—We now come to the question of the effect of an increased import duty on consumption. You say that " 10 or 12 per cent. additional duty is not likely to cause any serious hardship because it will mean a very small additional expenditure if any at all." If it means a very small additional expenditure or none at all, how is it going to benefit the millowners ? You have got to provide the Bombay mills according to their own showing with a sum of about 2½ crores to place them in a position of equilibrium. Unless the import duty means a very considerable or at least an appreciable rise in prices, how is it going to benefit the millowners ?

A. It will stop the importers importing in such big quantities as they are importing to-day. They will be at a disadvantage by 12½ per cent. If they have the 12½ per cent. on the exchange they will be on equal term. There will really be no protection so long as 1/6 remains.

Q. You say that 12½ per cent. duty won't involve any additional expenditure on the part of the consumer ?

A. *Mr. Walchand Hirachand.*—What will it be, even assuming that 12½ per cent. protection is given roughly, to the bulk of the Indian population taking 10 yards per head as consumption. Do we agree on that figure ?

Q. If you leave out the production of handloom industry, it is almost exactly 11.

A. Taking the average at 11 yards per head, the agriculturists forms 72 per cent. of our population. There are people using 200 or 500 yards.

Q. 500 yards ?

A. I dress in the simplest way and I must be using 500 yards. Therefore I think the agriculturist forming 72 per cent. of our population should be using roughly 5½ yards. Do we agree ?

Q. I do not. But you can go on.

A. Taking it for a family of 4 people, it will to come to about 22 yards or about 4½ pounds per family. If we give him 12½ per cent. increase it comes to about 9 annas per family. That is the penalty for him. If we put 12½ per cent. additional duty, assuming that the whole of it is taxed on the consumer it comes to 2 annas per lb. or 9 annas on the family budget for cloth, while if that family happens to hold 15 acres—it is the average in the Bombay Presidency—you take away from his crops about Rs. 62 if he is growing Rs. 500 worth of cotton. The only penalty to him is 9 annas even leaving that Rs. 62 and it does not affect his budget to any measurable extent.

Q. That is one way of looking at it. But there is another way of looking at it. These things when split up look very small but in the aggregate you are imposing a burden of

2½ crores at least to bring things in a position of equilibrium. Do you propose to recover 2½ crores from the consumer upcountry for the benefit of the Bombay mills ?

A. No, assuming it is 2½ crores per year, the effect of that after the end of 10 years in bringing about the manufacture of the whole or of India's requirements or in doubling our capacity and keeping the 30 crores spent on imported goods in this country will be so great that I think that the penalty of 2½ crores per year is nothing. If for 10 years you give this protection at the rate of 12½ per cent. for the benefit of those 10,000 shareholders or, if you chose to call so, the Bombay capitalist, the effect of that is bound to be at least to double the capacity, which can be verified from the past figures from 1907-08 to 1926, during which they have increased it at least by 250 per cent., *i.e.*, from 808 million yards to 1,970 million yards. They have increased the capacity by 250 per cent. in spite of the handicaps and the apathy of the Government. If at the end of the ten years with protection we double the capacity and import nothing except in the very finest counts, that penalty of 2½ crores is nothing as compared to the advantage which will ultimately come to the country. The whole of the 22 lakhs of bales of cotton we need not export. We can get the whole profit ourselves.

A. *Mr. Lalji Naranji.*—I want another point considered. It is not to the benefit of the Bombay mills or Bombay alone. The prosperity of Bombay of course depends upon the textile industry ; but at the same time the country has also not to forget that if this industry is allowed to be ruined, what will be the effect ? So long as the Bombay mills are purchasers of cotton they get prices in competition with other people also. Cotton is a very big item that is produced in this country, say about 60 lakhs of bales. It is also grown in large quantities not only in Bombay but in several parts of India. Thus the industry is not only going to help the people here directly but will help the whole of the cotton districts. They will be encouraged to grow cotton if they get fair prices. Now suppose Bombay is not a competitor in purchasing the cotton, don't you think that the exporters will take away cotton for very low prices ? One convincing example of this is jute. As there are certain interests only purchasing jute, it is purchased at very cheap prices by the exporters. If you compare cotton and jute you will find that all the buying of jute is concentrated in one class only and the price has always remained low, while in cotton the prices have gone up. It will be a useful comparison for your Committee to take the prices of jute and cotton and also the finished products of cotton and jute and see in what proportion they rose. If you write to the Jute Manufacturers' Association you will be able to get them. The prices are all printed. You will find that the prices of jute have always remained low, because there is no competition. Now if mills are kept alive by giving this 2½ crores it will not be to the interest of the millowners, it will be to the general interest of the whole country. Over and above that the employees have also to be considered. If you take it legally, this is what I may call a Central subject. It is for the good of the whole of India to give some sort of help to the industry when it is most wanted.

Q. Is it your considered opinion that a duty of 12½ per cent. or even 25 per cent. stands between the Bombay cotton industry and ruin ?

A. Anything above 13 per cent.

Q. Is required to save the Bombay industry ?

A. Yes, so long as these circumstances remain. You are not to forget that we have said that so long as the readjustment of the financial and economic condition of this country is not settled all this protection is wanted. It is not wanted permanently.

Q. What we have to be satisfied about is the exact effect of the protective duty. It is a light matter to suggest protection but it is not easy to decide the exact measure required in the interests of the people at large or of the industry. You say that 12½ per cent. additional duty would not cause any serious hardship. Is there any guarantee that the effect of the 12½ per cent. duty would be to raise prices to such an extent as would assist the millowners and that it would not restrict consumption ? The effect of high prices in the past has been to restrict consumption. If you look into the figures given by the Millowners in their statement you will see that the consumption of piecegoods per head went up to 13 yards a head in 1914 ? The reason given by the Millowners is that the price of cotton in those years was abnormally low and presumably those of piecegoods were also low. If you look at 1919 you will see that the consumption per head of piecegoods was just over 7 yards a head. There is thus a big gap between the lowest and highest prices. Is there any guarantee that if you put a 12½ per cent. duty on now, the consumer upcountry could not reduce his consumption by 12½ per cent., in which case it seems to me that the millowners would be in exactly the same position as they were before ?

A. The increase in price of a few annas will not be the sole factor in deciding the consumption. Even the prosperity of the ryot would be one of the chief factors. It depends on the general crops of the country. In regard to those years that you referred

to, the reason could not be that prices were increased but that crops might have failed. There are certain parts of India which are consuming more cloth. We are taking the general average per head, but if you take, say the Punjab, I think the Punjab will head the list in point of consumption of cloth. It depends on the prosperity of such parts whether more cloth is consumed or not. We have got here figures for the whole of India. If you divide them into provinces, you will find that the Punjab heads the list.

Q. Have you got the figures of consumption by provinces ?

A. I am speaking from my experience. I have not got any figures, but I am sure if we take the figures we can know how much more cloth goes to each part of the country. In Bengal the consumption per head will be much less ; in Madras also it will be less, because it depends on the climate of the place.

A. *Mr. Walchand Hirachand.*—Going into actual figures, the Indian mills are producing, about 36 per cent. of our total consumption, 35 per cent. is imported and about 25 per cent. is handloom. Now if owing to this increase of 12½ per cent. in duty if the consumption is retarded the other effect of it will be to stop imports. So ultimately the mills will be benefited necessarily. The reduction in consumption will not be as much as 100 per cent. of the imports. If we stop imports just to the extent of say 93 per cent. and if there is a reduction in consumption owing to this increased cost due to the 12½ per cent. duty, or 10 or 5 per cent. duty, even then if the imports can be stopped that cannot hit us adversely.

Q. For the moment I am speaking from the point of view of the consumer.....

A. By reducing consumption, will it not hit the manufacturer adversely ?

Q. Yes.

A. No, because we are importing in equal amounts. Even if there is a reduction in the total consumption there will still be ample for the mills to do to meet the needs of India. Of our total consumption 36 per cent. is manufactured by mills (The figures are taken from Mr. Bell's note), 35 per cent. is imported, 25 per cent. is handloom. If owing to the 12½ per cent. duty, the total consumption is retarded to some extent, the question as I understand it is, will it not affect the manufacturers adversely ? I say even assuming that owing to the increased cost to the consumer the total consumption is reduced it cannot be reduced to the extent of the total quantity of imports which we are trying to replace by home manufacture.

Q. You are now arguing on the assumption that the whole of the imports and the whole of the Indian manufactures are comparable, which we know is not correct. We are not concerned with what may happen in the very dim and distant future. You know quite well that India is not now in a position to manufacture cloth over 40s ?

A. We began with coarser up to 20s. Now we have come to mediums 21s to 44s and we ought naturally and reasonably go up beyond 44s, possibly after three years.

Q. You have got the grade of cotton ?

A. It won't take long if the demand is there.

Q. A good deal has to be done before you can get even cotton for 40s ?

A. Beyond 44s we have got much ground to cover, but if we can cover that ground I think the decreased consumption owing to increased cost would not affect the manufacture at all.

Q. I am sorry I do not follow the argument.

A. May I repeat. You think that owing to the increased cost to the consumer.....

Q. Do you agree that as a rule increase in price means a restriction in consumption ?

A. Generally it does.

Q. Do you agree that in order to benefit the millowners you must have an increase of price ? Otherwise the import duty would be of no use ?

A. I agree.

Q. You agree to both these. Your next proposition is to show that restriction in consumption would not hit the millowner ?

A. Yes, because we are importing so much. We are importing an equal amount to what we manufacture. If the consumption is reduced owing to this increase in duty by 12½ per cent., it may reduce consumption by 5 or 10 per cent. but the ground we have to cover is as much as 100 per cent. by replacing imported goods. The attempt is to stop imports and meet that demand. The imports to-day are as compared with the mill production almost 100 per cent.—the same as we are manufacturing ourselves. So, even if the demand is reduced by 15 or 20 per cent. I have still got the whole of that demand for the 35 per cent. I am importing to-day from foreign countries. The whole field is open to me.

Q. Where are you going to get the looms and spindles from to make it ?

A. We are progressing. We are now between 20s and 30s. Gradually that process will be automatic.

Q. You say 'gradually,' but the restriction of consumption comes at once. Your import duty comes at once, and your restriction of consumption comes at once. According to you it is only by the enlargement of the demand that you can hope to be benefited ?

A. *Mr. Lalji Naranji.*—Sir, we have said very clearly that the restriction of consumption will not be so much owing to the increase in price which is going to be very negligible and we do not see that the restriction will be so much as to affect the manufactures adversely.

Q. It must entirely depend on the extent of the duties ?

A. What we expect is round about 15 per cent. extra ; you will have to pay 4½ annas instead of 4 annas.

Q. Is that going to keep competing cloth out ?

A. If prices went up from 4 annas to 4½ annas a yard then the consumption would be affected.....

Q. But will it affect imports ? If the net effect of the import duty of 13 per cent. is merely to raise the price of cloth half an anna, do you think that it is going to keep the imports out ?

A. You cannot keep them completely out. Some of the imports will come. But the imports will be affected. If the 15 per cent. extra duty is levied for protecting the local industry, certainly imports will be affected considerably.

Q. Do you think that it is a difference between the price of the Japanese cloth and the Indian cloth which at the moment works out to only half an anna which has made the Bombay industry apply for protection ?

A. Certainly it will affect.

Q. You think it is only half an anna.

A. It is nearly 15 per cent., because he has the advantage of a profit of 15 per cent. over us which makes him compete successfully.

Q. Fifteen per cent. is considerably more than half an anna a yard.

A. *Mr. Walchand Hirachand.*—Shall I send you a statement what it will actually come to and that 12½ per cent. will restrict imports. The difference between the two will come to a decent percentage which normally no country can afford to ignore. Japan cannot afford to undercut us. If they get 50 per cent. duty as the South African coal is getting then it might be different. This additional duty of 15 per cent. or 12½ per cent. will help us considerably.

Q. We shall be glad to have the figures.

A. I will send you the statement.

Q. I am afraid I must dispute the correctness of your statement that the uproar as you call it in the prewar period against the very high prices of cloth came from Bengal, or from Bengal only. Should it not be the postwar period ?

A. It should be the postwar period.

Q. I was Controller of Standard Cloth and none of it went to Bengal as a matter of fact. It went almost entirely to Bihar, the United Provinces and the Punjab.

A. *Mr. Walchand Hirachand.*—Bengal is one of the thickly populated provinces.

Q. I know there was looting of *hats* in Bengal but I cannot agree that the cry for standard cloth was mainly due to the price of jute.

A. The price of jute was very low.

Q. I am pointing out that the standard cloth did not go to Bengal. It went to other parts of India. You cannot put the uproar against the high prices of cloth to the low prices of jute in Bengal.

A. What we want to say is that they felt it because they did not realise as price of their local article what they ought to have got.

Q. They were not the only people who felt the high prices.

A. They did not get good prices. The Punjab got good prices for wheat. But in Bengal they did not get good prices for jute. That was the reason why they felt more. Bengal is one of our big customers.

Q. You say that the mill industry is now so extensively developed that it is capable of meeting all demands from the consumer. If that is so, why is the amount of imported cloth practcally the same as the mill production.

A. *Mr. Lalji Naranji.*—If there was no unfair competition, I think the industry could have met successfully the demands of the country.

Q. What do you mean by "unfair competition"?
A. Unfair competition first through exchange.....
Q. That is only a matter of the last few years.
A. But even during that period the mill production has been steadily growing.
A. *Mr. Walchand Hirachand.*—Japan has been able to increase during the last few years to the extent of 550 per cent. We have been able to increase by about 250 per cent. roughly, the reason being that although we are naturally situated for this industry—we have got our raw material, we have a market at our doors, we have got labour....

Q. That is a point on which I should like to examine you a little more carefully. You say you have got labour. Is it efficient labour?
A. Perhaps not as efficient as in Lancashire.

Q. As efficient as in Japan?
A. I have no personal knowledge of Japan. Comparatively labour is a small factor.

Q. Labour is a small factor?
A. I say comparatively, as compared with various other costs.

Q. You do not deny that the advantage arising in regard to the purchase of cotton rests with India. We are now referring to the question of competition between two countries. The advantages of cotton, if any, rest with India?
A. Yes, I have got the raw material.

Q. You say that labour is a comparatively unimportant factor in the cost of production?
A. In the total cost.

Q. If 100 is the cost of production the cost of cotton is 50 per cent. Fifty per cent. is the same for everybody—if at all, you have the advantage. Therefore in making this comparison you can leave out cotton. We then get down to this point as to the comparative figures for labour. According to the millowners' statement out of the total cost of production over 40 per cent. is labour cost. Can you call that 40 per cent. cost of production, apart from cotton, comparatively unimportant when it is about three times the next most important item, which is stores?
A. No, if it is 40 per cent., I cannot.

Q. You have no personal knowledge of the efficiency of the Indian and Japanese mills.
A. Of the Japanese mills I have none.

Q. As far as our information goes, one spinner looks after 240 spindles; in India he looks after 160. A weaver looks after 2½ looms there and here he looks after 2 looms. In Japan he weaves about 1½ times as much cloth as a man does here. Can you therefore say that India has a natural advantage in respect of labour?
A. I do not know what he receives in payment.

Q. His pay is slightly higher than it is here.
A. *Mr. Lalji Naranji.*—If you work out for a pound it will be much less. If you work out the cost per pound the Japanese cost will be much less.

Q. Yes?
A. Yes, owing to better efficiency. They have got an advantage. I think Mr. Walchand is not aware of the circumstances of the industry there. Japan is about twice as efficient as India and Lancashire is four times. As compared with Japan and Lancashire, India is at a disadvantage in respect of efficiency.

Q. Therefore the argument that you are basing on that hardly seems to hold good?
A. *Mr. Walchand Hirachand.*—Having the raw material and the market at my door I ought to be able to expand to the same extent if not more than Japan has been able to do.

Q. There are various reasons for that. You say you have got the labour.....
A. Let us drop that now.

Q. I am not referring to the efficiency of labour. I am not referring to the quality of labour. If you were to expand here, presumably in Bombay.....
A. Not necessarily. There is nothing to prevent expansion upcountry. The rate of expansion out of Bombay has been greater during the last eight years than in Bombay.

Q. But if you have got these natural advantages why has Japan gone ahead? You think the sole factor is to be found in exchange?
A. Exchange, excise duty and all these things.
A. *Mr. Lalji Naranji.*—They have got more efficient labour. They have got stores which cost them less. They are working double shift and their cost even in the form of labour wages is much less.

Q. But can you lay their rapid progress entirely at the door of these factors ? I am merely putting this as a suggestion. But do you not think that there is no credit at all due to the superior organising ability and efficiency of the Japanese business men ?

A. Superior organisation, Sir, I do not admit for this reason....

Q. Their Cotton Spinners' Association is a much closer Association than the Millowners' Association here. Is it not ?

A. But there are other reasons. The average Japanese being a free man, there is nothing to restrict him from developing growth in the shape of adding to the income per head. If the income per head in any country is added to his efficiency will be added too. India will be more efficient too, I am sure, if the growth of India is allowed without restrictions. Then India will be the most efficient country. The riches of the country make the country efficient, not the poverty. The poverty of India is such that efficiency is lost. Why do you get less efficiency from the men in Bombay and in India ? I attribute that to their very poor growth and to their poverty chiefly. It has much to do with it. It is a general question. I think that the efficiency will increase with the country's prosperity. In all industries the efficiency of the labourer will increase and that is one further point why protection is required. If the industry is prosperous, labourers could be better fed and better clothed, and you will get better efficiency. The Chairman of the Millowners' Association at a dinner to His Excellency said that the efficiency of the Bombay mills since they resorted to 10 hours had increased. He also said that efficiency after the strike had considerably increased and absenteeism had improved. What does it show ? During those boom years the labourers were better. They are now better off. If they are better off, you will get better efficiency. All the interests are to be considered as a whole. In India different interests are divided separately by the conservative policy of the Government. The millowners think they have nothing to do with the shipping interest. The shipping industry think that they have nothing to do with the millowners. In Japan, the country being free the Japanese consider all the interests of the country as a whole. The Japanese millowners entrust to one company the carrying of cotton from India to Japan and get it carried cheaper. The Bombay millowners would object to that. They would say, why should anybody be allowed to have that monopoly of fixing freights ? I am just asking you as to why they should be allowed to have a monopoly of fixing the freights. The freights are allotted by them, because the shipping is combined by both the Japanese and the English companies.

Q. They are better organised.

A. Yes.

President.—I understood you to say this morning that your Association is in favour of an all round duty.

A. Yes.

Q. Yet in your last but one paragraph you seem to be in favour of a duty on counts below 40s only.

A. Yes, because that refers to yarn and it is suggested so that hand-loom people may not suffer. What our Chamber took into consideration was that hand-looms were practically working on 60s and 80s.

Q. We had an application from some of the mills in Ahmedabad complaining against any proposals for an increased duty on the ground that they import yarn above 30s and 40s.

A. The duty should be increased on counts below 40s. Above 40s there should be no duty for yarn. That is what we suggest.

Q. If you have no duty on counts above 40s, won't that hamper the development of the mill industry in the direction to which you referred just now ?

A. No ; it won't. It will only help the hand-loom industry.

Q. You said just now that your aim was to make the mill industry self-supporting. Is it by keeping out all imports ?

A. Yes ; but you cannot do it in a day. All the new machinery will have to be installed and so on.

Q. I do not quite understand how it squares with your views in regard to the piece-goods to leave out any class of imports. Merely in the interests of the hand-loom industry ?

A. Yes.

Raja Hari Kishan Kaul.—I should like to ask you again about this question of import duty or protective duty on cloth manufactured from higher counts than 40s. We are not manufacturing cloth from higher counts at present and therefore by levying an import duty on such cloth, you will simply be raising its price for those who consume the finer cloth without being able to supply the finer cloth in substitution for the imported one. Therefore the import duty on such cloth would involve a burden on the consumers without

the necessary compensating advantage to the millowners. Have you considered the question from that point of view ?

A. Yes. Under the present circumstances if the duty is levied on counts upto 40s, it will help the mill industry. It might partially meet the present demand.

Q. Then you would impose the duty without singling out any country ?

A. Yes.

Q. Any country from which that type of cloth came will have to pay the duty ?

A. Yes.

Q. I wonder if you can give us any idea as to the extent to which yarn of counts above 40s is used by the handlooms.

A. That you can see from the imports above 40s.

President.—The point is that some of it goes to the mills.

A. Yes. It is very difficult for them to separate that. I cannot give you any exact idea.

Mr. Subba Rao.—I want to put you a question about the statement in regard to the jute industry. I wish to get some facts. In the first place you suggest that the cloth trouble in Bengal was due in the main to the low prices of jute. May I know why you say that ?

A. When your Chairman was appointed Controller of Cloth there was a big cry in Bengal and there was a big demand that the prices had gone up and that the Government should intervene. We are referring to that.

Q. You said that jute prices had been kept under control, and they had not risen in the same way as cotton prices in the war years. Is that a fact ?

A. Yes. The price of jute remained much below parity.

Q. I have got the figures. I have got prices of Broach cotton from 1913. It was 309, 289, 205, 292, 461, 653, 636. They fell in the early part of the war and then rose. For jute the figures from 1913 are 174, 177, then there is a fall, 121, 132, 132, 117, 219 (in 1919) and then they rose. They went up to 161, 158, 166, 256 and 226, so that you cannot say that jute prices did not rise correspondingly with the cotton prices.

A. But they rose from 120 to about 220 at the most, and the cotton prices from 280 which was the pre-war price of Broach went up to 1000.

Q. Prices cannot all rise equally. It depends upon the nature of the demand.

A. The cotton prices went up thrice.

Q. Other goods, for instance, wheat, did not go up similarly.

A. We are not comparing wheat. That is the reason why we are entitled to protection. Wheat is not a thing from which you manufacture an article. Jute and cotton are articles from which we manufacture and we are considering the manufactured products. That is the reason why the industry should be helped.

Q. The manufactured products of jute went up more than the cotton productions, from 161 to 496. So that you cannot say that jute prices were kept deliberately low by Government control.

A. We did not say by Government control. There was some control over export.

Q. Secondly, even supposing that the jute growers were affected, how would that represent the condition of cultivators in Bengal as a whole ?

A. We are only concerned with the purchasing power. When we are making a statement we say that the purchasing power decreased so much.

Q. But are the jute growers a large proportion of the population of Bengal ?

A. Yes; in Bengal and Bihar.

Q. For example, the area of jute cultivation is about 2½ million acres as against 20 million acres for rice. So it cannot be said that jute growers alone were affected by this paucity of cloth.

A. That might be so.

Q. You have said that 12½ per cent. will not make any large increase even supposing the full effect was felt by the farmer. But would not that argument apply if you take merely the percentage of the Companies' super tax ? It is after all 6¼ per cent. If 12½ per cent. does not affect why worry about 6¼ per cent. on the profits ?

A. Because 12½ per cent. is to be divided among several millions, while 6¼ is to be divided amongst a smaller number.

Q. I am merely saying that you cannot argue from percentages. Then, I want to get this clear. You have been saying, if I understand both of you right, that there might be high prices to start with but later on the Indian industry will develop. Is not that

the same argument as for protection to infant industries ? But does not that assume that you will be able to shut out the foreign imports ?

A. You cannot shut them out entirely. It is possible after some years. You cannot do it immediately. The immediate question is how to help this industry against undue foreign competition.

Q. Therefore for some years to come, say half a dozen years, you will have both foreign imports and also the production in the Indian mills, so to speak, dividing the field between them. The foreign goods will be coming in at higher prices.

A. Certainly ; we admit it. Each family will have to pay annas 9 and it is negligible.

Q. If you look at the figures given of the incidence of taxation on the town labourer or the landless labourer, you will find that as it is, the taxation has increased considerably and the town labourer is already paying a rupee and odd, and another 9 annas is a considerable addition.

A. 9 annas is for a family of four men per year.

Q. As against Rs. 6 of taxation ?

A. Yes.

Q. Then if the foreign goods are able to come at the higher prices and yet sell at a profit because they are able to shift the burden on to the consumer, how do you propose ultimately to oust them ? Is it merely a question of dividing the territory with him or selling the present output at a higher price and thereby make both ends meet or do you propose to oust them ?

A. They will be ousted automatically. If further duty is imposed, then automatically some of the imports will cease. All the imports cannot cease.

Q. I want to know how you work out the process. What I can understand is that ultimately you will be able to increase your production and thereby produce at a lower cost per unit and then oust the foreign importer.

A. That is for the future. But at present there is no chance of increasing the production. At present the position is how to get the demand for the present output. How to get some sort of protection.

Q. The immediate thing is to cover your losses by getting protective duty and therefore getting higher prices ?

A. Not getting higher prices, but to stop more imports coming. To the extent of 15 per cent. the imports are made dearer and the imports will be affected to that extent and our goods will find market at the increased price. That increase will not be wholly 12½ per cent. or 15 per cent. ; it will be divided, because you never get the whole. If you look to the whole history you will always feel that the prices never increased to that extent at once by a jump. The middlemen's profits are affected when a duty is levied.

Q. That is only for a short time ; but gradually it will be passed on to the consumer.

A. There will be another indirect advantage also. The unfair competition also will cease as soon as more duty is levied. There are certain sorts of foreign goods which are unfairly competing. There are for instance five sorts which one foreign importer is dealing in. In one he may be losing but in the other four he will be making money. And when once the goods in that one are current then he can demand any price for them. India is a wonderful country. For instance they lose on sheetings—C and 9 Dragons and yet they want to compete and want to oust the local market.

Q. And if the duty is put on that, what will happen ?

A. If they reach such a stage that they cannot compete any more, it will stop.

Q. You say that at present they are losing ?

A. C and 9 dragon are cloth on which they are losing and they are putting it on the market inspite of loss. But all along they are selling four other qualities in which they are making profits and it does not matter even if they lose in one. Thus they are making money taking the average and they deprive the Indian mill of the one quality for which he has already got a market.

Q. And if your duty does not keep out the foreign goods completely, will not the relative position remain the same ? It may be he cannot put on the market as much as before. But if he can send even a portion of the imports, will he not get the same advantage as before ?

A. No ; because he will be deprived of whatever advantage he is getting today to the extent of 15 per cent. or whatever duty is levied.

Q. That is, if the consumer is not prepared to pay that higher price. But so long as the local products cannot meet the demand the imported goods must come in ?

A. That is if you assume that the local goods are not sold.

Q. No. At the current prices, it does not pay to produce. The local mills cannot produce profitably at the current prices we are told. Therefore, you are putting this duty on to enable them to cover that margin and therefore the ruling prices must be the present prices plus the duty. Then won't the importer who is now losing on some and gaining on others and on the whole also come into the market and sell at the new prices and thereby keep on the market the same goods as before ?

A. No ; because at present the manufacturer in India is not making a loss but is not making any profit. There is a great difference between the two. To cover his depreciation and certain profits for his investment he asks for this protection. He does not ask for protection because he is making losses, while the other man is making profits. While in spite of 15 per cent., the importer tries to bring his cloth in, still the Indian mills will have the start over them to the extent of 15 per cent. They can still compete to a certain point. No one can compete always at a loss for an indefinite period. Now both of them have reached a stage when they will have to consider before further action is taken. If 15 per cent. protection is given to the mills, then India certainly to my mind will reach such a stage that India will again get the market for these goods and oust those foreign goods which are directly competing with them and there will be room for Indian goods.

Q. That is the point I want to understand. You made a casual remark that now they are not making losses at all.

A. That is on the average.

Q. You get the average loss of 2½ crores.

A. That is after taking depreciation and other things. I am saying only the manufacturing costs. That is the reason why the manufacturers approached the Government and said that they reached a stage when if they did not give any help, the help would be too late and if once they were reduced to a certain stage it would be difficult for them to rise up again.

Q. I understand that. But if prices are approximately equal to the present prices plus the duty, the foreign goods can still come, and where is the advantage to the home producer ?

A. No ; they cannot come. Because their profits will be reduced by more duty, say 12 or 15 per cent.

Q. I think you said prices go up in India.

A. I say some prices. The increase in the prices will be divided by the middlemen also. Of course assuming that there will be an increase by 12 per cent.—the prices must increase as soon as you put the duty on these goods. Those goods are bound to come and the prices will increase or they may not increase because the importers may sell, in spite of the increase, at the same prices.

Q. And then there is no protection to the Indian producer, if prices do not rise.

A. Still they will have some protection. Because it will be difficult for them to compete. The margin to the Millowners is not more than 15 per cent. But what the Japanese mills are making is not more than 15 per cent. That will show that if you put 15 per cent. duty, their profits will disappear and nobody will work at a loss for an indefinite period in a foreign country and especially when they see that Government is helping the industries of this country.

Q. You mean that if they come in spite of the 15 per cent. duty, you must raise the duty still further ?

A. No ; I do not think there will be any opportunity to raise it further. Once action is taken they will be afraid to come into this country and lose money.

Q. If the prices rise, how do they lose ?

A. If 15 per cent. duty is added, they will be deprived of their profit to that extent. Prices may not rise. It is problematical. Because importers have a margin of profit. That we know from the results practically. I am talking of the Japanese goods. When they have a margin certainly they will not increase the prices.

Q. If the importers do not sell goods at a higher price than before because they have a margin, how do the Indian millowners benefit ?

A. They won't bring goods in at those prices and it will be uneconomical for them to bring imports and the imports will automatically cease. My point is that if they do not increase the prices, the millowners will not increase the prices. They cannot increase the prices if they get protection.

President.—We have not yet gone into the matter, but if it were found that the cost of production upcountry is half an anna a yard less than in Bombay, then would it not be the case that the Bombay mills have to fear the competition of the upcountry mills as much as that of the Japanese ?

A. I said a maximum of half an anna a yard. I certainly believe—in another Committee I gave evidence—that there is no chance of Bombay developing any further.

Of course it is a big question, but my personal views are, I may tell you, that Bombay has very little chance to expand even if the protection is given so far as the textile industry is concerned. With regard to the statement of Tariff valuation, I do not know whether the Tariff Board has prepared the statement.

Q. They did not. It is a suggestion.

A. It is a very mischievous and misleading statement.

Q. Will you explain ?

A. I only saw it last night. I just got it from the Secretary.

Q. I want the fullest criticism of this suggested system. What we want to know is whether you can suggest any means of imposing a specific duty rather than an *ad valorem* duty. Which do you think is preferable, the *ad valorem* system or the specific duty ?

A. I have not considered the statement. I saw it only last night and the first impression it made is that it is a very mischievous and misleading statement.

Q. Why do you call it misleading ?

A. Misleading in this way, that it will give protection to the imported goods in an indirect way.

Q. We want your full criticism of it. It has been the only concrete suggestion put before us till now and the great advantage of a concrete suggestion is that it leads to other concrete suggestions from somebody else. Will you think about it and give us your views ?

A. That is a most misleading way, because one cloth costs annas 2 and another Rs. 4 per yard.

Q. Other countries have adopted the system of duty by weight per square yard and number of threads in a square one inch side. One I am specially thinking of is Austria. I can show you the Austrian tariff. Can't we suggest something of that kind for India ?

A. It requires consideration.

Q. I shall be very pleased to send you the Austrian Tariff for your consideration and if you will consider this a little more, we can fix another time to discuss it with you. If you can let us have your considered opinion we will fix another time for discussion. I shall be glad to have your real views.

A. Yes.

(*Continued on September 7.*)

President.—You come this afternoon to give us your further views on the subject of this idea of a specific tariff ?

A. *Mr. Lalji Naranji.*—Yes.

Q. You have studied the Austrian Tariff. How far do you think that some such scheme could be adopted to the Indian requirements ?

A. It will not meet the Indian requirements. It will go against Indian requirements. India wants protection against imported goods and here you will be giving them protection against the Indian goods. That is my view. I have worked out by the practical samples. I have brought here two samples of imported goods. One is Manchester made. It is 20 yards 36 inches. The value of that piece is Rs. 4 and the weight is 1½ lbs. The duty will be at annas 7 at the present *ad valorem* rate and if it is to be calculated at annas 5 per square yard it will be Rs. 6-4-0 per piece.

Q. What is the position exactly ?

A. I have got here one piece of coarser counts and another of finer counts. I say that this will work in our favour so far as the coarse count is concerned, but in their favour so far as the finer count is concerned. The value of the piece of a coarse counts is Rs. 4 and at 11 per cent. it will work out to annas 7 per piece. It is one yard in width. On 20 square yards, the duty will be annas 7. Now if you take this on the basis of the rates here, it will work at annas 5 per square yard and it will give the value of the piece at Rs. 6-4-0 and the duty will have to be paid on Rs. 6-4-0. So it will be dearer. Now for the finer counts, this is a piece marked seven Qs. The value of the piece to-day in the market is Rs. 25. The duty will be Rs. 2-12-0 on that at 11 per cent. Now if you work it out according to this proposal, the amount of the duty works out to Rs. 12-8-0. It is a 40 yards piece. Thus on the finer counts this proposal will give protection to the imported goods, whereas we want protection against the imported goods. On the coarser counts it will serve our purpose. The duty will be higher on them.

Q. The result of this would be that you get protection at the present rate of duty on the coarser cloth which is what you want ?

A. Yes. But we do not want to reduce it on the finer cloth. There is no idea of reducing the duty from 11 per cent., whereas this proposal will automatically reduce the duty on

finer counts and you will be giving protection to the Lancashire goods. That will encourage more Lancashire goods even against the coarser goods. If you get finer counts at a lower price, human nature is to buy them.

Q. I may say at once I entirely agree with you that this sort of thing should not be used for protective purposes that is as another way of giving protection. But my point is that assuming it does, does it not meet the millowners' contention to some extent that they want a higher duty on coarser goods and a moderate duty on finer ones ?

A. But they do not want any reduction in the duty now existing. They want an increased duty on lower counts.

Q. It comes to this, that this suggested scheme is much too rough and ready. It gives far too wide a margin on each side. But it may simplify the work of the Customs Department.

A. No ; it will not simplify.

Q. If they could assess their duties on these valuations as there are only twenty of them, would not that simplify their work very considerably ?

A. But it will be reducing all cloth of finer counts to 50 per cent. of their prices. In this way the duty on Rs. 25 worth of goods will be reduced to one on Rs. 12-8-0. In the case of finer goods, it is reducing the duty from 11 to 5½ per cent. It will work out like that. I don't think the millowners in any case want it. Our Chamber also thinks that in any case the duty should not be reduced.

Q. We discussed the subject with Mr. Nind this morning and the result of our discussion was to bring out the view which you now put forward, which is that this scheme is not sufficiently elastic.

A. Here are some samples of the Japanese goods, drills, etc. The Indian cloth does not look so nice.

Q. Don't you consider that that is a handicap in favour of the Japanese ?

A. It is ; it may be due to the climate.

Q. It has been represented to us that it is probably due to their skill in mixing Indian cotton with American cotton ?

A. Yes ; they are mixing American cotton with the Indian cotton. It may be due to something else also which is a manufacturing secret.

Witness No. 36

THE MARWARI CHAMBER OF COMMERCE, LIMITED, BOMBAY

Written Statement dated Bombay, the 6th September 1926

The present and past condition of the industry

1. Before discussing the question of the present condition of the industry, it is essential, in the Chamber's opinion, to look into the past, however cursorily consistently with the space at their disposal. And when we are out to investigate the present condition of the industry, which is admittedly unsatisfactory, with a view to devising measures for its improvement, the scientific way is to compare the present with the past and thus try to trace and eliminate the particular factors and forces which by their appearance or disappearance in the interval might have created the difficulties complained of. But a peculiarity of this case must not be overlooked. The cotton textile industry in India, in spite of its long and adventours life of 70 years, cannot claim to have ever attained that soundness and stability of position which is only born of a healthy and willing co-operation between private and state efforts.

2. About seventy years ago India took the initiative of choosing for her sphere of industrial action the manufacturing of cotton textiles—the industry most suited to her conditions. During this time the industry has had periods of depression and crisis alternated with periods of comparative prosperity and even of sustained progress. But to any impartial observer it will be clear that neither was the pace of progress accelerated by Government nor were difficulties and setbacks removed by them. The industry has been tiding over wave after wave of adversity without help or sympathy of the State.

3. In the beginning up to the later sixties of the last century, when the industry had not emerged from insignificance, it was allowed to go its own way without let or hindrance. But as soon as the industry developed into anything like appreciable proportions and any real possibility of a competition to Lancashire in the Indian market came into existence the Indian Government was persuaded in the interest of Lancashire to exempt yarn of smaller counts and cloth of rough quality from import duty. As a direct result of this discriminating legislation, yarn below 30s and grey and coarse cloth were imported almost to the exclusion of yarn and cloth of finer variety. As the Indian mills produced these very counts and qualities the shock to the industry was great and the effect ruinous for the time being. Not content with this, the Indian Government subsequently took the indefensible step of totally abolishing import duties on all yarn and cotton piecegoods.

4. In the last decade of the nineteenth century, the industry received another staggering blow, the immediate effect of which was unprecedented in its severity. The Chamber refers to the closing of the mints to coinage of silver and the provision to issue fresh currency only against gold at a level several pence higher than would have been justified by the current price of silver. The result was that the export trade in yarn with China was brought to a stand-still.

5. Although import duty was again imposed on foreign goods in 1894 to countervail the effect of that duty on Lancashire, the notorious excise duty was levied on indigenous products. This duty has been clogging the wheels of the industry all these 30 years. How the strong and continued protests from the Indian public remained unheeded for such a long time and how the duty was withdrawn last year when the action became devoid of all its grace and when Lancashire interests were safely protected by what may be called an " exchange bounty " of 12½ per cent., does not, in my Chamber's opinion, need recapitulation here.

6. Then came the first signal of the coming difficulties from Japan. Japan which was up to this time a substantial customer of India in cotton manufactures reversed its position from a buyer of manufactures to a buyer of raw materials. She also abolished the existing import and export duties on cotton and yarn respectively. The Chamber has not the shadow of a doubt that any other Government in place of the Indian Government would have betimes taken warning from these clear indications of the future and forearmed the industry sufficiently to disarm all fears from that quarter. The Indian Government, on the contrary,

allowed the Japanese to strengthen their forces and slowly to capture almost the whole of India's export trade in yarn and a considerable portion of her home trade in yarn and cloth. It is the direct and logical culmination of the policy of Government towards Japan that she has turned out to be the most formidable rival of the Indian cotton textile industry and by her unfair and rigorous competition, thrown the industry into the whirlpool of a deadening crisis.

7. It is a universally accepted formula that industries in their infancy must be protected by a tariff wall sufficiently strong and high. Otherwise new industries of a country would have no chance of life in a relentless competition with industries of other countries which may have reached a mature and invulnerable stage of development. And yet this maxim has not only been consistently disregarded but, on the contrary, history bears witness to severe blows having been inflicted on this industry in spite of its great potentialities for the country's good. In the above discussion, particular emphasis has been laid on the difficulties of the industry and the Government's intentional or unintentional responsibility for the same with the sole intention that the Tariff Board may weigh well my Chamber's reading of history and by their action refute the charge that oftener than not Lancashire's interests receive preference over India's interests at the hands of the Indian Government.

8. The regrettable attitude of Government stated above combined with a number of other factors such as the after-effects of the war or rather the reaction from the war boom in the shape of depreciation of exchanges and continued falling of world prices, Government's currency policy, heavy taxation, unfavourable freights, strong competition from Japan and other foreign countries and absence of a close co-ordination of banking, industrial and shipping activities of the country, have resulted in the present deplorable condition of the industry. Thus we find to-day that many important spinning and weaving mills have closed down or have gone into liquidation, that numerous small mills have stopped work and that many others have more than once changed their management. With very few exceptions cotton textile concerns are working without profit and a large number of them have sustained losses. My Chamber submit that on such occasions the balance sheets can be no infallible or even precise guides. Their suspicion is that for fear of creating a panic in the country's markets and being themselves instrumental in ruining what they have built through years of sacrifice, toil and perseverance, the respective managements are perhaps showing merely lack of profits but as a matter of fact most of the mills are sustaining serious losses which if not immediately checked would crush under their heavy burden the most important industry of the country.

The causes of the present depression

9. The factors generated and the forces let loose in the aftermath of the war are certainly important in their bearing upon the industry. The reaction of the war has manifested itself and affects the industry in two ways, *viz.*, the continued falling of world prices and depreciation of exchanges of all the belligerent and some other countries of the world. The effect of the falling prices has been that the consumer in the village and also in the city has lost his confidence in prices. He therefore uses less cloth and has a hand-to-mouth policy of purchasing. Therefore when prices of cloth have, for some time, remained stable and the consumer is convinced that the pre-war level of prices is not to return owing to the increased cost of production, he is bound to spend the usual and even increasing portion of his earnings in cloth, provided of course he has purchasing power enough, that is sufficient coins in his pocket. Depreciated exchanges are no less important. The bottomless position of the French and the Belgian francs, of the yen and the lira has succeeded in making the edge of foreign competition sharper and the industry more crippled. Although both the above mentioned two factors appear to be temporary there is no knowing how long they may survive. The Tariff Board therefore will have to provide against the possibility of the exchanges of some of these competitors of India remaining in the present discreditable position for some time to come.

Foreign competition

10. The cotton textile industry has suffered and still suffers from foreign competition as perhaps from nothing else. Japan competes in yarn of smaller counts and cloth of coarse quality. The United Kingdom competes in yarn of higher counts and cloth of finer quality. Besides these two most powerful competitors, it has other smaller rivals also. From the beginning India has had a fairly flourishing export trade with Crina. And although owing to the closing of the

Mints in 1893 the exports to China were for the time being stopped, they very soon revived. And till a long time later, Chinese trade remained the backbone of the Indian yarn manufactures. But during the last quarter of a century Japan has been steadily and severely injuring Indian industry both in home trade and export trade, with the result that we find to-day she has captured almost the whole of her export trade and sells in Bombay and Calcutta goods manufactured out of cotton imported from India at a price much lower than Indian mills can produce. In 1906 Japan exported to China yarn weighing nearly 10 crores lbs. and in spite of the growing Chinese indigenous industry exported even in 1924 over 6¼ crores lbs.; whereas India whose exports of yarn in 1906 weighed 28 crores lbs. exported only 2 crores in 1924. Similarly Japan's export of piecegoods to China in 1906 amounted in yen to a trifle over 8 lakhs, and in 1924 the value of exports amounted to much over 13 crores yen. While India's exports of piecegoods to China, which in 1906 were about 1 crore and 30 lakhs of yards, dwindled in 1924 to an insignificant figure of 50,000 yards. Equally severe and marked have been the ravages in home trade. Japan's exports to India of yarn have increased from 6,000 lbs. in 1906 to nearly 3¼ crores lbs. in 1924. Similarly Japan's export of piecegoods to India leapt from 40,000 yen worth of piecegoods in 1906 to 4½ crores yen worth of piecegoods in 1924.

11. From the above it must be abundantly clear how within the last 20 or more years Japan has made very long strides towards ousting India from her position as exporter and also wrested from her a large and increasing portion of the home trade. And when one learns of the unfair basis of this competition the position becomes intolerable. Although the Japanese are very careful not to let out any information that may expose their unfair methods and give people an insight into their strong and weak points, the following points have been urged in support of the gross unfairness of the Japanese competition with India :—

(1) While India has ratified the Washington Convention of a 60 hours' week of work, that is to say whilst Indian labourers have to work not more than 10 hours a day for six days and have a holiday on the 7th, Japan has as late as July 1926 worked 22 hours per day in double shift and employed women and children at night without giving the workers in some cases a single holiday in the month. The above anomaly will become more painful and notable when we remember that women form the major portion of the labour force in Japan and that woman and child wages are much cheaper than male wages.

No doubt Japan has recently passed the Factory Act. But this Act is a very niggardly and poor improvement upon the old laws. The Act allows the Japanese mills to make male adults work any number of hours; and does not provide the giving of any holidays to them. As to women and children the Act lays down that women and children under 16 years of age shall not be employed for more than 11 hours! (Compare that with the Hours' Convention which imposed a 57 hours week on Japan). Even this clause will in practice be frustrated by the further proviso which vests in the Government for 15 years to come, the power to extend these hours to 13.

As to employment of women and children at night the Act allows the owners to employ them at night as at present till 1929. After that women and children shall not be employed between the hours of 10 p.m. and 5 a.m. Even this limit may be extended by special permission to 11 p.m.

(2) It has been learnt from reliable personal sources, which it is impossible to get confirmed openly, that the Japanese textile industry enjoys a variety of direct and indirect subsidies and bounties such as freight subsidies, export bounties, cheaper freights for import of raw cotton and export of piecegoods and so on. Although my Chamber do not possess any documentary evidence in support of the above, their suspicion is very well-based. And if the Tariff Board insist on being supplied with a copy of the report prepared on this subject by Mr. R. Boulter, C.M.G., my Chamber are certain that the allegation of secret subsidies and trade bounties will be fully substantiated.

(3) Another factor that has solidly contributed towards making the Japanese competition so successful is the existence of the wonderful co-ordination of the national activities of industry, trade, shipping and banking in Japan. It is this close, mutual co-operation between the various industrial activities which has secured to Japan such rapid ascendancy over India in this matter.

12. The competition from other countries and especially Britain is none the less effective or harmful in spite of appearances. None, in my Chamber's judgment,

can deny the fact that but for this European competition Indian textile mills would by now have considerably developed the manufacture of yarn of counts higher than 30s and would have been supplying a large part of the country's demand for finer piecegoods and yarn between 30s and 40s. At the same time it is but fair to bear in mind that Britain and other European countries also export coarse cloth to India and the further truth that however small these quantities, comparatively speaking, they do not fail to lower the prices of Indian manufactures of similar or a little lower quality in obedience to inevitable operation of economic laws.

Government's currency policy

13. The policy of the Indian Government in matters of currency and exchange has been in effect consistently detrimental to the progress and well being of the country's industries. Even if errors of omission and commission made by Government during the last 35 years, in abnormal times, through lack of close experience of the subject, may perhaps be justified, the latest expression of the Government's unwholesome attitude towards national industries is certainly unfortunate and unjustifiable. If the Tariff Board will kindly take into consideration the fact that the greater part of the development of the cotton textile industry took place when the value of the rupee was 1/4*d.*, the action of the Government in pegging exchange to a new level which is 12½ per cent. higher than the pre-war level will appear clearly untenable. But whether Government is justified or not one thing is undeniable that the one effect of raising exchange from the pre-war level of 1/4*d.* to 1/6*d.* is that of imposing on the industry an additional duty of 12½ per cent. on all its products, as compared with the pre-war condition of the industry. If therefore the Government is pledged to a 1/6 ratio it is, by implication, also pledged to making sufficient amends to this industry, in common with others. The Board consequently believe that if Government will only restore the exchange to its pre-war ratio, they would have effectually knocked the bottom out of the demand for strong tariff legislation. Leaving out of consideration the fact of the cost of production having been very much raised by the war, and the further fact that the depreciated exchange of other competing countries would necessitate tariff remedies on its separate merits, it would in my Chamber's opinion be a perfect and unassailable proposition that with the exchange at its pre-war level and Japan accepting the Washington Convention of a 57 hours' week, both in letter and spirit, the industry would with the coming of better and normal conditions, regain its pre-war working condition. The only argument against restoring exchange to 1/4 parity is the alleged possible hardship to consumers. In the first place my Chamber are doubtful whether consumers and producers are ultimately quite distinct and separate realities, and are proof from mutual influences; but apart from that they desire to point out that the consumers have no right to claim the indulgence of having the measure of value changed in their favour to the unquestionable detriment of other interests. The Chamber are also of opinion that slowly and steadily rising prices are a much better alternative from the viewpoint of the community as a whole than falling prices or prices kept down by currency manipulations. No country has ever risen in industrial or other material development by catering to the needs of consumers and thus putting a premium on idleness and inaction.

Heavy taxes and unfavourable freights

14. In the matter of taxation also the industry has been ill-treated and is heavily burdened as a result. In addition to increased income tax and company super-tax, the industry pays a number of other taxes which have either been newly imposed or are very much enhanced as compared with pre-war taxes. The municipal taxes such as general, halalkhore, and water taxes have been considerably increased and the town duty on cotton is also an unnecessary drain on the industry. Similarly import duties, in some cases as high as 15 per cent., are levied on stores, accessories and machinery, which unduly add to the cost of production of yarn and piece-goods of the Indian mills. The industry certainly deserves to be relieved from a part of this aching burden.

15. The question of freights is even more important than that of taxation. The phenomenal development of the industrial nations of the world has been very largely due to the increased and improved facilities for shipping. Japan is able to compete so successfully with Indian mills to-day chiefly through her subsidized shipping lines which carry cotton from India to Japan and piecegoods from Japan back to India at very cheap rates. A more or less similar advantage is enjoyed by

European and American industries, which are highly favoured by national mercantile marines. In this respect the Indian cotton mill industry has the most unfavourable position. Though the formation of the proposed Indian mercantile marine for coasting voyages may slightly relieve the industry at some distant day, there appears to be very little hope for the industry in this regard unless Government throw the whole weight of their influence in favour of concessions being granted by shipping agencies to Indian manufactures in matters of freight, to put the Indian industry on a basis of equality with the industries of competing countries.

16. While circumstances, practically speaking, are not so favourable as to induce foreign companies to agree to a more favourable treatment of the cotton textile industry, the question of railway freight appears to my Chamber to be within easier grasp of solution. The great increase in railway freight since the war is certainly possible of curtailment and Government can in this way help the industry by lessening the rigour of foreign competition in the home trade.

Formation of a Cotton Textile Board

17. Absence of adequate banking facilities is another grave handicap under which the industry has been labouring. My Board are of opinion that in respect of freights, banking difficulties as well as other cognate matters the proper solution is to establish mutual co-operation between the industrial shipping and banking agencies in the country. For this purpose and for the purpose of looking after the welfare of the premier industry of the land in all other ways, the Board suggest the formation of a Cotton Textile Board consisting of the representatives of the cotton textile industry, banking and shipping agencies, railway department, legislature and the Government in reasonable proportions. This Textile Board shall have within its jurisdiction the initiative to correct the mistakes and remove the deficiencies in management of the industry also, that may be considered to be harmful to the country's larger interests. But care should be taken to ensure that the representation of the cotton textile industry is adequate and to the satisfaction of the mill-owners. The Board of my Chamber has made the above suggestion after full and careful thought and trust that, carried into execution with good-will and sincere effort, it will go a long way towards improving the lot of the cotton textile industry in India.

Remedies

18. In India the preponderating opinion has always been in favour of effective protection to all her industries. Although every country including India has its "free traders", yet only a country with developed and powerful industries can afford to wax eloquent over the merits of free-trade. At a time when England, the most enthusiastic espouser of free trade and America and Japan industrially the two of the most advanced countries of the world are freely resorting to protection, for India to keep back from adopting a definite policy of effective protection to the principal industry on the excuse of safe-guarding the so-called interests of consumers is a painful paradox. In the opinion of my Chamber India must follow the lead of America in industrial as well as agricultural developments. The policy of Government therefore must openly be of favouring tariff legislation, so that the effects of foreign competition may be sufficiently neutralised.

19. In the following, the Board of this Chamber have set forth what they consider to be the most suitable methods calculated to remedy the present depressing condition of the industry. The Chamber are of opinion that the industry is badly in need of protection and will continue to be so for some time to come, especially in view of the policy of Government to keep exchange at 1/6*d.* to the rupee. Besides the protection of a somewhat permanent nature, for the reasons stated above, it will be necessary to provide for the imposition of temporary import duties on yarn and piecegoods imported from Italy, Japan and other countries with depreciated exchanges, to the extent of the fall in the value of those exchanges, from their pre-war parity. My Chamber are also strongly of opinion that the prevalent method of imposition of duty on all yarn and piecegoods without giving special consideration to the needs of the industry as up to this time developed, is seriously defective. For instance the duty on yarn of counts below 32s should be effectively high and the duty on yarn of counts ranging between 40s and 32s may be a little lower, but must be sufficiently protective, whereas the duty on yarn of over 40s counts may be allowed to stand at the present rate. Similarly in case of piecegoods the highest duties should be levied on the qualities of piecegoods which directly compete with Indian mill-made goods and which effectively handicap the industry from making further developments.

20. Taking a comprehensive view of the situation my Chamber feel that the duty of 13 per cent. in addition to the present 11 per cent. as demanded by the Millowners' Association is none too high. From the close experience of the conditions of the industry for some time past, the Chamber are convinced that to afford the industry just a working capacity a 13 per cent. import duty is but essential.

21. As stated above taxation should also be lightened. The first step in the direction would be immediate abolition of the town duty on cotton and import duties on machinery and mill stores. Government should reduce railway freights on all Indian cotton textile goods for carriage between the important production and consumption centres in the country. Further, Government should prevail upon the shipping companies to reduce the shipping freights to all markets where Indian mill-made yarn and piecegoods are exported.

22. The Chamber attach much importance to their suggestion of establishing a Cotton Textile Board on the lines discussed in the foregoing pages. They also feel that the Board should impress upon the mill-owners that in fairness to the public at large they must resolve, as it has been their tendency lately, that managing directors shall charge commission only on profits and not on production in any case.

23. The Chamber have considered the suggestion as to the necessity of reducing wages of labour and has come to the conclusion that although wages have considerably risen since the war and cost of living has to a certain extent fallen since 1922, it is highly undesirable to reduce wages. My Chamber want to draw the attention of the Tariff Board to the fact that making full allowance for the inefficiency of Indian labour as compared to Japanese or European labour. the pre-war wages in Indian mills were very low indeed. A step in the right direction would be to make an organised effort to raise the standard of living of the labourer. If the millowners and the Central Labour organization could co-operate with mutual good-will and try, in concert, measures for increasing the efficiency of the Indian labour nothing could be better.

24. My Chamber have noted that the Millowners' Association have in their evidence before the Tariff Board complained against the so-called " narrowness " of the existing five hedge contracts of the Bombay cotton futures market and recommended the merging of these into one hedge contract. The complaint appears to my Chamber to have arisen out of a misunderstanding of the history of the cotton market in India and betrays on the part of the Association a lack of comprehensive outlook.

25. The merger suggested would not remove the chances of speculation. Speculation there will be, even if the idea is carried into execution, but of a nature most detrimental to the poor producers of cotton of the country. The magnitude of the probable injury to the Indian cotton-growers can be gauged from the fact that about 20 lakhs bales of cotton are annually exported out of India. Another effect of amalgamation of the existing contracts into one, would be that the balance of speculation will largely be in the bearish side and the market will be faced with recurring " bear raids." The present arrangement of contracts is, in my Chamber's opinion, the happy mean arrived at after careful and comprehensive consideration and represents the collective wisdom of the whole trade. And more, a slightly lower level of the price of Indian cotton will ultimately be harmful rather than otherwise to the cotton mill industry itself as the foreigners would also get Indian cotton at the same cheaper rate,—which would place the cotton mill industry at a comparative disadvantage in the matter of cost of production, and also because the purchasing capacity of the farmers will be reduced to the extent of the reduction in the price of cotton. The remedy thus will prove worse than the disease.

26. In conclusion my Board consider it proper once more to say a plain word even at the risk of repetition. They are convinced that for placing the Indian cotton textile industry on a sound and progressive footing, Government will have to keep constantly before their mind's eye, the true and abiding interests of this and other national industries. A lukewarm policy is no good. Nothing can come out of sometimes feebly favouring the indigenous industries and at others yielding to pressure from Manchester and at still others vacillating between loyalty to a political colleague—Japan—and duty to the national interests. What is wanted is a strong, nationalistic attitude aiming at the maximum development of the premier industry of the country in common with other industries in different stages of development.

Witness No. 37

THE SOUTHERN INDIA CHAMBER OF COMMERCE, MADRAS

Written Statement dated 12th September 1926

1. In submitting the appended answers to the Board's questionnaire we only desire to elaborate and emphasize certain issues in the question of protecting the Indian cotton industry. The Board has in its questionnaire covered a wide range of aspects and gone very deeply indeed to elucidate many important points in the present conditions of production and the imperfections of the organisation of the industry. The Board is sure to receive a variety of evidence from different interests and the task is by no means easy to sift the evidence and get to the root of the problem. In doing so it will have to dismiss allegations ill-founded or over-estimated, and adjudicate upon the respective claims of the industry and the consumers in a way equitable to both.

2. My Committee regret that in dealing with the question of exchange the Government has not shown much sympathy for the labours of the Board, inasmuch as the Government's determination to maintain the 1*s*. 6*d*. ratio has further embarrassed the cotton industry. The Government's policy has helped to enhance the effect of the depreciated yen and to subject the Indian mills to a corresponding loss. What the Indian mills gain from cheaper stores and machinery is but a fraction of their losses involved in the higher exchange. The manufacturing costs practically remaining the same whether the rupee is undervalued or overvalued, the growing taste for finer stuff coupled with the facility to obtain it at about 12½ per cent. cheaper, the disadvantage of maintaining a too sensitive export trade on an appreciated rupee, and the difficulty of meeting rupee liabilities incurred when the rupee was 12½ per cent. cheaper, all these may eventually prove too burdensome to the Indian cotton mills.

3. A great deal too much has been alleged against the managing agency system so prevalent in almost all the well organised industries of this country. There are many virtues that can be claimed for it, while the defects attributed to it are by no means inherent. It would therefore seem both difficult and undesirable to uproot it all of a sudden from the industrial life of India. What can be achieved without much economic disturbance will be to divest it of practices of a more questionable nature, such for instance as commission on produce of sales or purchases, diversion of funds to other concerns in which the managing agents are interested, and sundry allowances for staff and office expenses. While appreciating the merits of the managing agency system we are not blind to the efficiency of an independent management for a well established industrial concern.

4. As regards the remedies suggested by the Board this Chamber representing, as it does, the millowners as well as the importers, have the same difficulties as the Board in reconciling diverse interests. We have however not the least hesitation in opposing any export duty on raw cotton. But considering the alarming progress that imports of Japanese yarn and piece-goods are making, after having due regard to the interests of the handloom industry, we are not averse to agreeing to an extra duty on yarn of 40s and under and on Japanese piece-goods. The Board will be in the best position to estimate the rate of extra duty necessary. The Board will no doubt be aware that Japan is trying all possible means of returning to the gold standard, and that she cannot very much longer put off complying with the Washington Convention. Further, the ample facilities for freight possible under Government control, the better internal organisation of the industry, and the lowering of the Indian exchange ratio, which are remedies to be attempted in the first instance, will, in our opinion, go a great way towards alleviating the present depression in the cotton industry.

Section I

General

1. Depression is general. All the mills in the same centre are affected alike. It is only a question of degree. A possible exception is in the case of mills that have specialised lines out of the ordinary run of competition.

2. The factors making for depression are mostly special to India—exchange, freight (railway and sea), nearness to Japan. The factors special to a locality are negligible. The world factors of higher standard of living, higher manufacturing costs, and to a smaller extent depreciated exchanges, have also affected the mills.

3. Permanent if present external conditions continue. Some alleviation is possible if a rehabilitation of the industry from the inside is secured.

4. It is not a question of the margin between the price of raw cotton and the price of yarn and piece-goods. It is rather a question of the manufacturing costs and conditions of India and her competitors.

5. (c) Not in a dividend-paying condition. They have not quite begun to sell at a loss. They are realising small profits in several cases here.

6. It would mean a prolongation of the present hardship, with perhaps the temporary closing of some mills with the attendant evils. The ratio of raw cotton is 55 per cent. of cloth and 80 per cent. of yarn. So there will not be a proportionate reduction in prices of cloth and yarn. Consequently it is going beyond the fall in the purchasing power of the ryot.

7. Buyers used to hold off for better prices but that cannot be said now. The causes of the depression are more permanent.

8. Only to the extent by which the spending power of the cultivators is disproportionately reduced. We should not attach undue importance to the fall in purchasing power as the demand for cloth is not elastic.

9. To a very limited extent.

10. We do not agree.

11. To a considerable extent the lack of organisation accounts for the failure to regulate output to the offtake. The same disability explains the continuance of high freight and unhealthy speculation in the market. Recently in Bombay there has been some attempt to control output. Better organisation will be a healthy line of advance for the industry instead of higher protection wall.

12. Madras Presidency, 1924-25.

Capital reduced.—Coral Mills, Ltd.
Krishna Jute and Cotton Mills, Ltd.
Surya Textile Mills and Industrial Co. of Cocanada, Ltd.

Liquidation.—Nalathinputhur Spinning and Weaving Mills, Ltd.
Vadasithoor Muthukumarasami Kaithari Nesavu Co., Ltd.
A. R. R. S. M. Somasundaram Chetty Mills.

Section II

Nature and extent of competition between imported goods and those of Indian manufacture

13. It has an important place among the factors. Freight gave the fatal blow and foreign competition did the *post mortem*. The expansion of the weaving industry was rather the consequence of the closing of the Chinese market.

14. Chiefly from Japan. Other countries have their own besetting troubles.

15. Yarn : 40s and 20s.
Piece-goods : Grey goods, such as grey shirtings and sheetings in particular.

17. There is no evidence of dumping unless the rebate of consumption duty on exports in Japan is deemed as a negative bounty.

19. Competition is now focussed in counts 31-40, mostly 40s. It is a very serious factor indeed. Imports stood at 10 million lbs. in 1917-18 and in 1925-26 at 26 million lbs. Yarn production has not kept pace with the increase in production of cloth.

20. The estimated percentage is worth a close examination. But there is no doubt that with the progress of the use of long stapled cotton and artificial humidity the percentage of competition must rise.

21. The figure of 70 per cent. is possibly correct and this is chiefly in grey piece-goods.

23. May increase as the taste for fine stuff is developing.

25. Eight to 10 per cent. Imports of yarn and grey goods from Japan have increased 50 per cent. simultaneously with the fall in the Japan exchange.

26. Not much.

27. Very much indeed in piece-goods and less in yarn : low exchange of Japan coupled with high exchange of India, and similarly of the United Kingdom. Competition in the lower counts will continue, experimenting with higher counts will be out of the question, and the purchasing power of the ryots will be further reduced and consumption will decline to some extent.

28. The 5 per cent. arrived at by the Bombay millowners appears to be a fair estimate.

29. Japan : Steamer subsidy, rebate on consumption duty.

33. Sheetings and grey goods such as shirtings : yarn 40s.

34. Yes.

SECTION III

Internal competition

35. There is scope for many more mills ; Indian mills have not reached the point of driving each other out of the market.

38. The competition of the handloom industry has, if anything, diminished during 1924 and 1925.

SECTION IV

Mill management

40. (*a*) and (*b*) Yes. It appears there is a reasonable degree of efficiency and economy.

41. The managing agency system has served well in the past—Its efficiency for initiating an industry and putting it on its legs and saving it in times of crisis is unquestioned. But it reduces a whole group of industries to the same dead level of efficiency or inefficiency according to the merits of the agents. Where the agents are interested in other kinds of business also—stores, machinery, supplies of raw materials, etc., it may involve diversion of funds, promotion of one concern to the prejudice of another and so on. Where a mill is well-established an independent management ought to be appointed.

42. Commission on profits is the more common and it is certainly preferable. But the other category is by no means rare.

44. Yes. Not so common in this Presidency.

SECTION V

Mill finance

47. The mills were equally zealous of their reserve funds.

49. The system of short term loans is prevalent in Bombay, Sholapur, Ahmedabad, etc. It is not so here. It is not a sound one.

50. So far as we know the mills are not investing in other concerns. How much such a policy is detrimental depends on the merits of each case. There is nothing objectionable in a spinning and weaving mill investing funds in a ginning factory or cotton purchasing agency in order to regularise supplies. It is perhaps more objectionable to invest in a colliery or a steamship company.

51. Industrial unrest and lack of confidence coupled with Government borrowing have raised the interest. But interest charges are a small item.

52. In India about 8-9 per cent.

SECTION VI

Costs of Production

(*a*) General

57. Power, depreciation, management staff, municipal taxes, and freight.

58. Advantages for Bombay : freight ; cotton exchange ; insurance ; natural humidity of climate.

(*b*) Raw material

60. The mills in this Presidency have their own branches or purchasing agencies in the cotton growing districts. There is no central cotton market in Madras.

61. Speculative purchases of spot cotton are made only to provide for a few months, generally 3 or 4 months. Cotton futures are mostly for the same period and very rarely cover one season, but usually only for 10 per cent. of the requirements in the coming season. Speculation cannot be prevented and it is often very necessary to stabilise prices.

62. The agencies and means employed for purchase in both cases are the same and there is no likelihood of a difference in price except on account of speculation.

63. Negligible.

(*c*) Labour

64. Seventy-five per cent. increase in wages coupled with the reduction in hours by the last Factory Act is no doubt the main factor in the increase of manufacturing costs in Madras as everywhere else.

67. The following figures relate to the Madras United Spinning and Weaving Mills, Ltd. :—

(*a*) Fourty thousand spindles on 117 ring frames ; two men for each frame of 320-360 spindles.

(*b*) One man—1 loom.

(*c*) Six men per 1,000 spindles—average counts 20-31.

They engage 1,200 men for 40,000 spindles and 650 men for 500 looms.

68. Per month for full attendance :—

	Men	Women	Children
1914	12-15	7-8	5
1926	20-30	15-20	11

69. Spinner : 1 Spinner—75 lbs. of 20s yarn per day.
Weaver : 1 Weaver—12-13 lbs. per day.

70. A Madras weaver runs 1 loom, Bombay 2, while the Lancashire weaver can run 4-6 looms.

Section VII

Remedial Measures

(*a*) Suggestions put forward by the Bombay Millowners Association

96. Yes. It would give but very small relief, if any.

97. Yes. Its abolition is long overdue.

101. Between all the ports in India, and from there to the foreign ports, including those of China. Madras has also a considerable export trade in raw cotton and cotton piece-goods.

102. Yes.

103. Yarn exchange, export credits scheme, exchange insurance, freight control, cheap transport in India and exhibitions held abroad.

104. No extra import duty can be imposed which will fail to raise prices. It may be suicidal to raise the prices now. If the application of other remedial measures fails, an extra import duty will be the only possibility.

The utmost protection that can be given without undue disturbance in prices will be to levy a higher duty on yarn of 40s and under, not only from Japan but from all countries. In the case of piece-goods we are afraid that Japanese piece-goods have to be discriminated against.

106. It will increase prices all round, as Indian mills under shelter of duty on inferior counts will give up experiments in higher counts and thus leave the superior stuff prices to be controlled by foreigners who are well organised ; further the consumers will not be turned away by the higher prices of superior stuff as the alternative of buying inferior yarn or cloth also involves payment of higher prices under the additional customs duty. The cost of living may increase by 2-3 per cent. (say 12½ per cent. increase of price on 20 per cent. domestic expenditure—cloth).

107. That will be too much to expect.

108. For several years to come there will not be enough supplies for a normal internal competition.

110. The duty was 7½ per cent. from 1st March 1916 and 11 per cent. from 1st March 1921. The increase was only 3½ per cent. and another reason for its not being noticed was that prices were just going down bit by bit. The fall in prices was less than it would otherwise have been.

111. No material reduction in consumption can be expected, if khaddar consumption is also taken into account.

112. India might lose all the foreign markets in due course, if Japan also imitate our handkerchiefs, kailess and other coloured cloth. If the foreign markets are not lost to India we may expect the demand for Indian cotton to fall.

113. The hand loom industry is at present using mostly imported yarn of finer counts. Such yarn will still be imported because hand looms cater for special tastes, but there is no doubt that prices will go up.

114. A specific duty in place of *ad valorem* duty is suitable for yarn which is capable of being nicely graded according to fineness. But a specific duty has to be constantly watched in view of the constant fluctuations in price ; further within the same grade of fineness, there is a variety of prices according to the trade mark. Thus in 40s the variations range at present from less than Rs. 6 to Rs. 10 and in 60s from Rs. 10 to Rs. 17. That is an important difficulty.

(*b*) Other suggestions

116. There should be no export duty on cotton.

119. Yes.

Witness No. 37

THE SOUTHERN INDIA CHAMBER OF COMMERCE, MADRAS

Oral Evidence recorded at Madras on the 22nd September 1926

The following gentlemen represented the Chamber :—

Mr. C. Gopala Menon,
,, Haridoss Visonji.

President.—Mr. Gopala Menon, you are the Secretary of the Southern India Chamber of Commerce ?

A. Mr. Gopala Menon : Yes.

Q. And Mr. Haridoss Visonji is the Manager of the Choolai Mills ?

A. Yes.

Q. Is he the only member of your Chamber who is connected with a mill, or are there managing agents of other cotton mills who are members of your Chamber ?

A. At present, he is the only member connected with a mill in Madras City. There is the Secretary of the Krishna Jute and Cotton Mills of Ellore, and there is the managing Director of the Khalaeswarar Mills, Limited, Coimbatore. They are mufassal members.

Q. Is the Krishna Jute and Cotton Mills merely a cotton mill, or a jute mill or both ? Does it manufacture cotton goods ?

A. It is called the Jute and Cotton Mills.

Q. I know it is. But the description is rather misleading, and I cannot find it mentioned in the list of cotton mills furnished by the Bombay Millowners' Association.

A. I think it is only a jute mill, but I am not quite sure about it.

Q. I think you must be right, because I do not find it included in the list of cotton mills. Does Mr. Haridoss Visonji know ?

A. *Mr. Haridoss Visonji.*—I do not know.

Q. In what other way is the Southern India Chamber of Commerce directly connected with the cotton textile industry?

A. *Mr. Gopala Menon.*—There are importers of cotton piece-goods who are members of the Chamber.

Q. How many ?

A. It may be more than a dozen members.

Q. Are they importers both of British and Japanese piece-goods ?

A. Not very much of Japanese piece-goods. Mostly of British piece-goods. The Japanese goods are got mostly from Bombay.

Q. There is practically no direct import of Japanese piece-goods into Madras, I understand.

A. That is so.

Q. Are you in a position to tell us to what extent Japanese goods are advancing in the local market ?

A. The goods are bought from Bombay direct. Mufassal dealers from places like Salem, Coimbatore and Madura go to Bombay and buy Japanese goods.

Q. Is it difficult for your Chamber to get definite information as to the extent to which Japanese goods are being imported into this Presidency ?

A. We have no statistics. Before this keen competition from Japan began the Lancashire goods had a very strong hold on the Madras market. Now that the market for those goods has dwindled, the presumption is that their place has been taken by the Japanese piece-goods ; because the Bombay Mills and other cotton mills in India are not making any headway in selling their shirtings and other products.

Q. Is it your impression that the Japanese goods have gained ground rather at the expense of British goods ?

A. Certainly, but also at the expense of the Indian mill goods.

Q. Would you say that the advance has been more at the expense of British goods than at the expense of Indian goods ?

A. As compared with the pre-war importation of British goods, I think the Japanese goods have now ousted the Lancashire goods.

Q. What is the extent to which Indian mill goods have been affected ?

A. Mr. Haridoss Visonji will be able to say that from his experience, because he is selling Indian goods. I am in touch with Lancashire goods.

Q. You are yourself in touch with Lancashire goods ?
A. Yes. I am the Dubash of the Piece-goods Department of Messrs. Wilson and Company.

Q. Can you tell us, Mr. Gopala Menon, what proportion of the Lancashire goods that come into this country is made from counts below 40s ?
A. The keen competition from Japan has practically ousted British goods of 40s counts particularly, but not very much of 20s and 30s counts. Of course, Japanese goods of 40s counts and under have got a very good hold on the market now. Only during the last two months, the Japanese goods have dwindled to some extent, and my information is that they are finding a better market now in China.

Q. What I really want to know is whether there is any large proportion of goods of the United Kingdom coming into this country which is made from counts below 40s.
A. The British goods are particularly of 40s counts. There are some of 30s counts. There is not very much of 20s and 30s, because the Indian mills have been supplying these goods.

Q. You do not think that much United Kingdom goods below 40s are coming into this country ?
A. No.

Q. We are unable to get any exact idea from your written statement.
A. I think some figures are given in it in connection with the answer to Question 19 ; ' Imports stood at 10 million pounds in 1917-18, and in 1925-26 at 26 million pounds. '

Q. That refers to yarn ?
A. Yes, of course.

Q. We want information about cloth imported into Madras.
A. We shall not be able to give you statistics of Japanese importation here, because the Japanese goods do not come direct to the Madras port.

Q. Coming to your detailed answers, as regards Section I, Mr. Haridoss Visonji will be in the best position to say how far there is depression in the cotton textile industry in Madras as compared with Bombay ?
A. *Mr. Haridoss Visonji.*—Here also we are feeling the depression.

Q. We find that the Madras mills are paying dividends, whereas Bombay mills speaking generally are not.
A. Some Madras mills are paying dividends.

Q. Is it not the case that the Madras mills that were paying dividends in the past are still paying dividends ?
A. Only in some cases of very good mills. In many cases they are not paying dividends. We feel generally the depression.

A. *Mr. Gopala Menon.*—Though they are paying dividends, probably they are not adding to the reserve fund.

Q. That does not matter. They are paying dividends out of profits. That is the consideration. Is it not ?
A. That is true. Are you talking of the Choolai mills or of all the mills ?

Q. I am referring to the mills here as well as those in Madura, Coimbatore and Bangalore which for our purpose we have included in this Presidency.
A. *Mr. Haridoss Visonji.*—In Madura and Tinnevelly, the mills are situated in the cotton tracts themselves, and again in Coimbatore they get cotton from Tiruppur which is very near to them. But in Madras, we have to get cotton from outside. Madras is not a cotton market. The expense of getting cotton into Madras comes to about Rs. 20 per candy.

Q. Like Bombay, Madras has to get cotton from outside ?
A. Yes.

Q. You consider that Madras is at a disadvantage in being so far away from the cotton market ?
A. Yes.

Q. From your reply to Question 11, Mr. Gopala Menon, it seems you consider that lack of organisation accounts for the failure to regulate output. In saying so, to what place are you specially referring ? Is it to Madras or Bombay ?
A. *Mr. Gopala Menon.*—It is a general statement applicable to all places. I say that owing to lack of organisation one mill has got too much stock and it stops manufacture. But others go on manufacturing ; in that way there is no organisation in the matter of control of output. I suggested that, in order to avoid speculation to some extent.

Q. You say that recently there has been some attempt to control output. How is that being done ?

A. They have been trying to regulate their manufacture in Bombay.

Q. Are you referring to the spinning mills in Bombay ?

A. Yes. To the spinning departments.

Q. I think you mean some organised control ?

A. Yes. I think there was some understanding between the spinners and the weavers.

Q. I do not think there has been any definite understanding between the spinning mills and the weaving mills in Bombay. If the spinning mills could not sell all their output, they closed down part of their machinery. There is no definite scheme that I am aware of in Bombay.

A. I say generally that an organisation is necessary.

Q. Coming to your answer to Question 12 as to the extent of depression, surely the reduction of capital in the Coral Mills had nothing to do with the depression ?

A. I took that mill down from the Joint Stock Companies Registrar's statistics.

Q. Do you know anything of the Krishna Jute and Cotton Mills ?

A. I find from the Joint Stock Registrar's report for 1924-25 that the mill has reduced its capital.

Q. You do not know anything else ?

A. No.

Q. So these three mills, the Coral Mills, the Krishna Jute and Cotton Mills and the Surya Textile Mills and Industrial Company, which have never started work have no bearing on the subject. Where are the next three mills you mention ?

A. The A. R. R. S. M. Somasundaram Chetty Mills are in Madras. I do not know about the others. Our information is that they are all in liquidation.

Q. Where is the Vadasithoor Muthukumaraswami Kaithar Nesavu Mill ?

A. I do not know. It is mentioned in the Joint Stock Companies Registrar's report.

Q. You do not know anything about it ?

A. No.

Q. What about the A. R. R. S. M. Somasundaram Chetty Mills ? Is it not a small mill ?

A. Yes, of 10,400 spindles.

Q. Why did you put down those mills as suffering from the depression ?

A. Because there must be some reason for reducing the capital or for going into liquidation. I think it is due to the depression. However, I shall follow it up and gather more information on it.

Q. My point is that with the exception of the Coral Mills none of the mills in your list can be considered as first class mills. The reduction in the capital of the Coral Mills is, I should say, connected with some question of management and has nothing whatever to do with the depression, so that the cases you have given us are not cases of really first class mills feeling the depression ?

A. That may be so.

Q. You cannot draw any real inference from them ?

A. No, not from them exclusively.

Q. Have you any information as to why the A. R. R. S. M. Mill has gone into liquidation ?

A. The A. R. R. S. M. firm were big bankers. They have gone into liquidation, and so the mills are also in liquidation.

Q. Have they gone into liquidation because they lost money in the mills ?

A. They have invested a lot of money in the mills.

Q. But it is a very small mill.

A. They have lost in the mills also.

Q. Is it that the whole firm has gone into liquidation, and that is why the mill is under liquidation ?

A. They were the promoters and also the managing agents of the mills.

Q. Therefore, it is probable that this mill has gone into liquidation because their whole business has gone into liquidation.

A. It may be. But if there is plenty of money available in the market and the mill was paying, somebody would have bought it. It is on account of the present depression that no new capitalists are prepared to take it up and work the concern.

Q. You probably know that this mill is without any looms, and that spinning mills are distinctly wasteful without a weaving section attached. That is so everywhere. Is it not ?
A. Yes.

Raja Hari Kishan Kaul.—I presume you have no personal experience of the mill industry ?
A. No.

Q. Mr. Haridoss Visonji can speak only for the Choolai Mills and has no personal knowledge of other mills ?
A. *Mr. Haridoss Visonji.*—I have personal knowledge of Choolai Mills and only a general knowledge about other mills.

Q. Had you a chance of working or being connected with any other mill ?
A. No.

Q. You have said that Japanese goods have come in at the expense of Lancashire goods and that they have also affected Indian goods. Can you give us some instances of the kind in respect of Indian goods ?
A. *Mr. Gopala Menon.*—Grey shirtings of 41". Grey shirtings were being manufactured by the Indian mills. Other varieties affected are grey dhoties, cloths and sheetings.

Q. Any other instances ?
A. *Mr. Haridoss Visonji.*—Also some mulls.

Q. You are also producing mulls ?
A. Yes, of 40s and 50s.

Q. Which of the United Kingdom variety has been replaced ?
A. *Mr. Gopala Menon.*—Shirtings and jaconets.

Q. That is to say United Kingdom shirtings used to compete with Indian made shirtings formerly ?
A. Yes. Before the Japanese competition.

Q. You say there is a large import of Japanese goods into Madras ?
A. Not straight to Madras. It comes from Bombay.

Q. Can you give us comparative prices ? What prices are the dealers paying for the goods which they bring from Bombay ?
A. *Mr. Haridoss Visonji.*—We are selling at Re. 1 per pound, and in Bombay they are selling at 14 annas a pound.

Q. The same kind of goods ?
A. Yes.

Q. What do you manufacture in your mills ?
A. 20s and 30s, 30s and 40s, 60s and 80s.

Q. What cotton do you use ?
A. Tiruppur cotton.

President.—Cambodia ?
A. Yes. We are also purchasing at Surat.

Q. You are making 40s out of Surat ?
A. Yes.

Raja Hari Kishan Kaul.—We should very much like to see the samples of cloth you are selling and of the Japanese cloth selling at 14 annas. What is the freight from Bombay to Madras ? What does it come to per pound ?
A. Less than half an anna per pound ; say, 5 pies per pound.

Q. So 14 annas at Bombay means 14½ annas here in Madras ?
A. Yes.

Q. You say there is a considerably alarming progress of imports of Japanese yarn and piece-goods. Do you say that in respect of Madras or of India in general ?
A. *Mr. Gopala Menon.*—We are not referring to Madras alone. We speak of India as a whole.

Q. Among the general factors which make for depression and which affect Indian conditions, you mention a higher standard of living. How does it affect the mills ?
A. The mills are not in a prosperous condition. But the labourers would not agree to a reduction of wages because their standard of living has increased.

Q. You say the standard of living of labourers has increased. That means increased consumption and that would be favourable to the mills.

A. I mean to say that the general prosperity has not increased in proportion to the higher standard of living.

Q. High standard of living would increase consumption of cloth and benefit the mills ?

A. Not in the same proportion.

Q. In your answer to Question 2, you say "the world factors of higher standard of living....have also affected the mills." What do you mean ?

A. All over the world, the standard of living has gone up, and therefore the labourers' and other employees' standard of living also has increased.

Q. How does that affect the mills ?

A. The mills have to pay still higher wages. The wages have increased by 75 per cent. as compared with pre-war days.

Q. How does the standard of living of the coolies and labourers affect the mills ?

A. They want higher wages and improved conditions of labour to maintain their higher standard of living. Supposing the profits on the manufacture of cloth have gone down by 50 per cent., they will not consent to a corresponding reduction of wages.

Q. You mean to say that a higher standard of living means that mills have to pay higher wages ?

A. Yes, chiefly.

Q. In answer to Question 5, you say "They are realising small profits in several cases here." Can you give any instances ?

A. Almost every mill is making very small profits.

Q. Is any of the mills losing ? You say "they have not quite begun to sell at a loss.

A. About 40 per cent. of the mills are not paying dividends.

President.—In the Madras Presidency ?

A. We have taken India as a whole.

Raja Hari Kishan Kaul.—We expected replies only as regards Madras. I thought you were giving answers in respect of Madras.

A. The question is put in a general way.

President.—How far do you consider one of the causes of the present trouble is the continued falling market ? How far does that cause depression, especially in regard to cotton cloth ?

A. Of course, prices went up five or six times during the war. Since then prices are gradually coming down. That means depression. Whilst prices are coming down, we are not able to reduce the labour costs. We have to pay the same amount of high wages.

A. *Mr. Haridoss Visonji.*—Other expenses of production are also very high. Their prices have not come down in proportion. So we have not been able to reduce our expenses, though our income has gone down.

Q. What income are you referring to ?

A. The mill income. The price of mill-goods. At present, the position in the Indian piece-goods market and in the European goods market is such that we can hardly make any profits on the kinds that are being bought. That is why our income has gone down.

Q. How far is that reacting on the position of the mills ?

A. *Mr. Gopala Menon.*—There is no demand from up-country centres for our goods. Now this is the season when the Dipavali demand should have commenced. But no mufassal dealer is coming to purchase. Perhaps people have no money because they have not harvested or sold their produce.

President.—Don't you consider that the explanation for that is that the dealers during the last five years have found that they get on quite well without laying in a large stock ? They have found that there is no need for having large stocks when they can make purchases from the mills whenever they please and so the result is that the mills have anything from 50,000 to 100,000 bales of cloth in stock which in years gone by would have been spread out all over the country.

A. I agree with you in thinking that these mufassal buyers are buying sparingly now, but this is the time for them to buy. The Dipavali season is coming and they must come and buy now ; but they have not yet turned up. That only shows that there is a general depression all over the country.

Q. I am wondering whether they will ever buy again in large quantities should times improve because they will have found that there is no need for them to lock up their capital. What is your view about that ?

A. If our raw produce sells well, if the continental market is doing the same as it did before, if there is a better demand for our raw cotton and if there is a better purchasing power, then the condition of the people in the country will be improved and we may go back to the old days.

Q. But the point that I am trying to get at is whether even if there were a revival of prosperity the upcountry dealers will have learnt this lesson from past experience, namely, that they were rather foolish to lay in large stocks and that they may as well continue with stocks at their lowest point. Do you think there is anything in that point ?

A. My experience is that since the Armistice they have been buying from hand to mouth. The mills have been going on continually manufacturing stock. I do not think they will buy in the same wholesale manner as before because there have been severe losses.

Mr. Majmudar.—In the Madras Presidency are the spinning mills also making a profit ?

A. The profit is very little, but spinning mills are also making profits. I think the Madura Mill is only a spinning mill. It is making a profit.

Q. You say that in shirtings the Japanese shirtings compete with the Indian ones and that the Japanese shirtings are selling at As. 14 a lb. and the Indian mills at Re. 1 a lb. When was that ? this year or last year ?

A. This year, even now.

Q. What was the difference in price last year ?

A. Last year the price was Rs. 1-4-0 per lb.

Q. For the Indian stuff ?

A. Yes.

Q. For the Japanese stuff ?

A. It was the same, Rs. 1-4-0 or Rs. 1-5-0.

Q. So, last year the Japanese price was the same as Indian ?

A. Yes.

Q. This year it is As. 2 lower than Indian ?

A. The price for 38½ was about Rs. 1-8-0 or Rs. 1-12-0 last year. Now it is about Re. 1.

Q. Which counts of Japanese yarn are coming to the Madras market ?

A. Mostly 40s. There is a big speculation in Japanese 40s. We understand it is due to big demands from the markets.

Q. It means that the mills in Madras do not find spinning of fine counts remunerative ?

A. No.

Q. You said that the cost due to the freight for the Japanese goods coming from Bombay to Madras is half an anna per lb. Is that by rail or by boat ?

A. By rail and also to some of the coast ports by boat, but the latter is only a very small quantity.

President.—Under Section II, in answer to Question No. 13, Mr. Gopala Menon, you say "the expansion of the weaving industry was rather the consequence of the closing of the Chinese market." You mean the export of Indian yarns to China ?

A. During the time of the war, ships were not available to carry goods to those parts and therefore we lost the Chinese market in that way.

Q. Are you sure of that ? The impression we rather gathered in Bombay was that the ships were available but that the Indian mills preferred to sell their goods locally, as they were making a profit here.

A. The Indian mills had a very fine market in China for yarn particularly ; during the time of the war my impression is that the steamers were not available to carry those goods and we lost those markets and afterwards Japan got in there. Practically we have lost the whole of the Chinese market now.

Q. But during war time exports kept up very well on the whole.

A. I am not aware of that. We had some difficulty even in getting goods from Lancashire, and therefore the price went up five times.

Raja Hari Kishan Kaul.—We have been told that the decline in yarn trade with China began long before the war, in 1893.

A. Probably at that time on account of the exchange. It was not considerable.

Q. You say in reply to Question No. 25 that "imports of yarn and grey goods from Japan have increased 50 per cent. simultaneously with the fall in the Japanese exchange." Where did you get that figure from ?

A. I took the figures from the Seaborne Trade accounts published by Government.

Q. You mention the steamer subsidy in answer to Question No. 29. Is there any steamer subsidy for Japan ?

A. I think so.

Q. Have you got any evidence about that ?

A. I have no evidence except what I have got from the Bombay Millowners' statement. That is very much talked about and it is known everywhere that there are subsidies in Japan.

Q. We have been trying to get evidence on the subject, but have so far got none.

A. Yes, it is a difficult affair.

Q. In regard to Question No. 34, do you think that there is any preference for finer qualities even at slightly higher prices ?

A. Yes, there is a tendency for going in for finer stuffs.

Q. Even if they cannot get them at the same price ?

A. Yes, for instance, grey mull is a finer stuff than grey jaconets. Even now, we can get grey jaconets at Rs. 6 and the price of grey mull is slightly higher. Of course there may be a difference in count and all that; but the import of grey mull which is a finer stuff is rapidly increasing. That shows that these grey mulls are purchased by the poor people in the country and the millowners are taking to finer stuffs.

Q. Not the poor classes.

A. Not the very poor, but the middle classes. It does not extend so much to the poor classes.

President.—Why do you think the competition from the hand-loom industry has diminished during 1924-25 ?

A. I do not find the same amount of demand in some places for khaddar as there was in the previous corresponding period.

Q. You are thinking of khaddar ?

A. Yes, of khaddar.

Q. Not of any other product of the hand-loom industry ?

A. Hand-loom goods are mostly dearer stuff as compared with imported cloth.

Q. So you are thinking of competition in khaddar stuff only and not in finer goods ?

A. Yes.

Raja Hari Kishan Kaul.—You say there is scope for many more mills ? But at present it is not possible for the Indian mills to produce finer counts.

A. But there is ample room for the expansion of mills in this country.

Mr. Majmudar.—Most of the imported cloths from the United Kingdom are of finer counts and if you exclude them, is there much room for expansion ?

A. If you exclude them, we are producing nearly as much as is required by the country.

Q. You mean the mills are producing as much as is required by the country ?

A. Yes, and then there is no reason why our mills should not extend the other directions as well. I understand the Japanese are making even coloured goods, saris and so on. I do not see why our mills should not extend in that line.

Q. Till we get better cotton there is a limit to the extension. Is it not so ?

A. But let us take the poor stuff itself, say shirtings and jaconets. Are we manufacturing all that is required for the 315 millions of people in this country ?

Q. There is already a slump in coarse cloth.

A. But the slump may be due to outside competition.

Q. That means that the imported cloth and the local production are more than the consumption.

A. But if you want to improve the Indian mill industry you must go on producing some kinds of cloth and utilise all the cotton grown in the country. Our mills are consuming only 50 per cent. of the cotton produced. We want more and more cloth. Even now there are several people who are badly clothed and their tastes are improving and they are going in for more stuff.

Q. That you can only do if you reduce the cost of the Indian material.

A. It will go down according to world conditions, because all parts of the world are taking to cotton production and probably you will find our Indian cotton will not be in

demand in several parts of the world some time hence and therefore we will have to use that cotton in some shape or other here in India.

Q. Could you say to what extent extension is possible at present ?
A. Just now I do not think so, because they are in a depressed condition now.

Q. You say "Indian mills have not reached a point of competing with each other out of the market." If you look at Table 5 of the Statement submitted by the Mill-owners' Association, you will find that the production of the Indian mills has gone up from about 1,440,000,000 yards in 1915-16 to 1,970,000,000 yards in 1924-25.
A. But if there is sufficient protection for the Indian mills in all grades, there cannot be competition between the mills themselves here, because we are not manufacturing enough for the requirements of the country.

Q. What we are importing from outside is of a different quality and if we increase production in our usual qualities, do you not think that competition will be greater amongst ourselves and that the mills will lose or at any rate will not make profits ?
A. But that is only when you have not got enough demand in the country.

Q. For the particular varieties of cloth that we are manufacturing there is not sufficient demand.
A. At present it is due to foreign competition. Much Japanese goods come into the country and the present state of affairs is due to that.

Q. Can it not be also due to the fact that there is an over-production in the particular varieties of cloth produced by the Indian mills and that it is more than the actual consumption ?
A. The mills cannot get on without protection. The moment the output comes up to the consumption, their position will be better; but they are prevented from doing that on account of the foreign competition.

Q. Is that why they are not going into the medium and finer counts ?
A. Yes, because of the foreign competition. For instance, grey mull they can manufacture if they want, but the foreign competition is great. The Japanese manufacture grey shirtings in particular counts. Our Indian mills can do that, but somehow or other the Japanese are able to under-sell the Indian mills.

Q. Is it not that the Indian mills generally have not tried to develop the medium and the fine cloths ?
A. They have not tried to manufacture them. They are keeping to the low qualities even now: especially in the case of dhoties. For instance, the Choolai mills are making 5¼ yards length dhoties and we are also importing dhotis from Manchester and the difference in price is something like Re. 0-8-0 to 0-12-0 a pair. Some buyers are buying Choolai mill dhotis which are 44″×5¼ yards and others go in for goods from Manchester, being of better quality.

Q. Unless the mills begin to manufacture better qualities or finer and medium qualities, is there not a likelihood of a greater competition amongst the Indian mills ?
A. It is just possible, but the Japanese are also competing.

Q. I am referring to Indian competition, *i.e.*, among the Indian mills themselves. Leaving aside the Japanese competition, my point is whether there is competition between the products of the Indian mills themselves and whether the mills are not in unsound position because of that competition.
A. There may be competition, but I do not see there is any unfair competition. In every trade there is competition between merchant and merchant and between mill and mill. We will find the same thing happening in foreign countries also.

President.—As regards the managing agency system, are your mills running on that system ? Has your mill managing agents, Mr. Visonji ?
A. *Mr. Haridoss Visonji.*—Yes.

Q. Who are the managing agents of your mill ?
A. Messrs. Karsandas Mulji Jaitha are our managing agents.

Q. Are you the manager ?
A. I am the agent and manager.

Q. Do they take commission on profits ?
A. No, on production.

Q. What is the commission.
A. 3 pies per lb.

Q. I see you are in favour of the managing directors' system, Mr. Gopala Menon ?

A. *Mr. Gopala Menon.*—I said that the independent management system is also a well established system. Of course in the initial stage, for developing an industry, for finding finances and for supporting an industry, the managing agency system may be thoroughly efficient; but when we have reached a stage in certain well-established industries, I say an independent management system may also be adopted.

Q. Has it been adopted anywhere in India ?

A. No.

Q. Do you think the independent management system can be introduced ?

A. There is the difficulty of finding finances.

Raja Hari Kishan Kaul.—In answer to Question No. 41, you say "It reduces a whole group of industries to the same dead level of efficiency or inefficiency." What you want to suggest is that the managing agents should manage only one mill ?

A. That is not what I mean. It deals with a whole group of industries. What I mean is that if there is a group of mills and if they are doing cloth business, they may confine their attention to that alone or to allied business.

Q. What you say is that the managing agency system is good except when the managing agents are managing several mills. Do you really mean that the agents should manage only one mill and should have nothing to do with a second mill ?

A. What I mean is that when there is financial trouble, in one mill or something like that, they should separate it from the other mills, if they have got a group of mills.

Q. That is, you mean they should have nothing to do with a second mill ?

A. No. If they have got a number of mills under their control, they would give equal attention to all the mills, and when there is a financial crisis in one mill it may affect the other mills also.

Q. Then does it not follow that there should be one managing agent for one mill ?

A. No, not necessarily.

Mr. Majmudar.—You say: "It reduces a whole group of industries to the same dead level of efficiency or inefficiency according to the merits of the agents." Will you please amplify that statement ?

A. It means that if they have the same system of management for a number of mills, it may be quite efficient and all that—I do not deny that—but the system has got its draw-backs also.

Q. It may be so in regard to particular firms; but on that account, you cannot condemn the whole system.

A. This system has been quite good in the past because of the difficulty of going in for any other system—although I would like to have some change—and the present managing agents are able to manage because they are a combined body.

Q. In what sense are they a combined body ?

A. There may be a number of financiers running a number of mills.

Q. Each firm has got a managing agents' firm and generally in that firm there are not many outside partners. Generally it is only a family concern.

A. No, there are partners.

Q. It is only from the point of view of finance that you think it is advantageous.

A. *Mr. Gopala Menon.*—It depends upon the firm that manages. In Bombay many mills are being managed like that.

Q. So your remark has nothing to do with the system as such ?

A. No, we do not attack the system.

Q. You say it may involve diversion of funds and so on. Have you any instance of that in this Presidency ?

A. No. I thought that Question 41 was a theoretical question. That is why we have given that answer. What we mean is that the managing agents divert their attention and their funds to another industry entirely unconnected with the mill industry. Thus, there may be trouble.

Q. There are not instances of that in Madras ?

A. Not in Madras.

Q. In answer to Question 49 you say "The system of short term loans is prevalent in Bombay, Sholapur, Ahmedabad, etc. It is not so here. It is not a sound one." What are your reasons ?

A. The difficulty with regard to short term loans is that if the lenders demand payment immediately it may precipitate a crisis in the concern, and that will be prejudicial to the interests of the industry.

Q. What do you mean by short term loans?
A. Loans taken from year to year. Something like that.

Q. If these loans are in the form of fixed deposits from the public, they would be distributed all over the year. and the depositors cannot demand immediate payment.
A. We do not take fixed deposits in the case of the cotton industry. Of course people may invest money in business as well as in mills, in shares and debentures, for the sake of interest. But these loans may be called back at any time. If you depend on that department of business in a mill industry and when there is a run, *i.e.*, when people want their money back, it will affect the industry.

Q. These deposits will be due at various dates throughout the year. How can there be a sudden run and how will that affect the industry?
A. Yes. They may be distributed according to the due dates. That means that a business of banking should be attached to the industry. If they utilise that money in the manufacture of goods, it may be that they may not be able to find sale for the goods so as to provide for repayment.

Q. As I said, the deposits will be distributed evenly from month to month. There is no possibility of all the people asking for the return of money at a particular time.
A. If you take loans in the shape of fixed deposits, you will have to provide the money for repayment, and that can come only from the sale of manufactured goods. At a time when there are heavy stocks, the goods may not be sold quickly. We shall have to keep up the credit of the concern by paying back the fixed deposits in due time.

Q. Do you mean that in times of heavy stocks, you may not be able to repay the fixed deposits because the money is locked up in those stocks?
A. Yes.

Q. In the other case, would you not have to provide for a big working capital?
A. Yes.

Q Would not that mean a permanent burden on the concern as regards dividend?
A. Yes, but it is safer.

Q. In the case of those mills which are financially sound or which can get plenty of money from the public, what is the objection to fixed deposits?
A. There is no objection, provided they can keep up their financial credit.

Q. So you do not object to the system as such?
A. I merely pointed out the difficulties we have to meet with in the case of deposits when the industry cannot bear it at a time when the money is demanded back or.....

Q. If it is possible to meet the demand for repayment of deposits, is a short term loan objectionable?
A. Of course, not.

Q. Then you say further on "There is nothing objectionable in a spinning and weaving mill investing funds in a ginning factory or cotton purchasing agency in order to regularise supplies. It is perhaps more objectionable to invest in a colliery or a steamship company.". Why do you include the colliery company?

A. In those two concerns, collieries and steamship companies, the capital to be invested may be very large and the risk of adequate return is greater. What I mean is that there is no objection to investing an allied industries such as spinning and ginning. They can buy their cotton loose, gin it, press it and send it to the place of manufacture. My objection is to investing in other industries like paper or sugar industry.

Q. In reply to Question 51 you say that the "interest charges are a small item." Is it your opinion that it is only when the interest charges are high that they tell on the industry?
A. Yes.

Q. Is your reference from the point of view of the production charges the mill has to bear?
A. No.

Q. If there is a lack of confidence in the investing public and if the mills find it difficult to finance, would it contribute to a depression?
A. Yes, it will even lead to liquidation.

Q. And the mills will have to be sold at any price?
A. Yes.

President.—How do you buy cotton in Madras?
A. We have our agents up-country, who buy cotton for us.

Q. You buy your cotton and store it ?
A. Yes. Because there is no cotton market near to Madras. We have to store cotton for eight months. We purchase for four months.

Q. How is it that one man in Madras looks after only one loom, while in Bombay a weaver looks after two looms ?
A. *Mr. Haridas Visanjee.*—It depends upon the labourer's ability. Perhaps Bombay people are cleverer than Madras labourers.

Q. You say that labour costs have gone up by 75 per cent.
A. Yes.

Q. But we were told by the Labour Union yesterday that there has been only a very small increase in wages.
A. They may say so. But we have got our books showing the wages paid, and we know exactly what we are paying as wages.

Q. Are you sending to the Board a statement of your production in the mills ? I think you have received the forms ?
A. Yes. We are sending the returns to our Head Office and they will forward them on to the authorities.

Q. I am asking whether you have had the form and if you are filling it in ?
A. Yes. We are filling in the forms and sending them to our Head Office.

Raja Hari Kishan Kaul.—You say speculation is often very necessary to stabilise prices. That is an answer to Question 61. What do you mean ?
A. *Mr. Gopala Menon.*—My idea was that in anticipation of a rise in prices people buy forward and *vice versa* and thus reduce or increase the demand in the future as the case may be.

Q. There are no forward purchases in Madras ?
A. Yes ; we buy forwards sometimes.

A. *Mr. Haridas Visanjee.*—We make future contracts with outagencies such as Adoni and Bellary but not in Madras.

Q. You buy largely spot cotton ? You don't enter into future contracts.
A. Yes. We sometimes make forward contracts also.

President.—Like Bombay, do you buy futures ?
A. A small quantity of futures. The cases are very few.

Raja Hari Kishan Kaul.—Have you future contracts in Madras ?
A. It is only in outagencies that we make a contract with them. But we are not giving advances. In Bombay there is the system of giving advances.

Q. What is your weaver getting now compared with what he was getting in 1914 ?
A. The weavers get from Rs. 25 to Rs. 35 now. In 1914 it was about Rs. 15 to 20.

Q. These are monthly wages ?
A. Yes.

Q. Are wages in your mills lower than the wages in other mills ?
A. I cannot say.

Q. Are the rates the same ?
A. More or less the same.

Q. We were told by the Labour Union that the rates are low in your mill.
A. But we have given actually large increases.

Q. They say that the increase is much smaller ?
A. They may say so.

Mr. Majmudar.—Do you purchase all your cotton locally ?
A. Not in Madras, but from the Madras Presidency. We are purchasing also from Bombay.

Q. Regularly or occasionally from Bombay ?
A. Occasionally. Most of our cotton comes from the Madras Presidency.

Q. You say that the Bombay weavers may be cleverer than the Madras weavers. Have you tried to give your weavers two looms each ?
A. Yes ; we have tried ; but they would not work them.

Q. The men themselves don't want them ?
A. Yes.

Q. I believe, you have plenty of weavers. Is there a shortage of labour ?
A. No.

Q. Have you made an actual experiment by giving two looms to a weaver and found it a failure ?

A. In the beginning when the looms were put up in the mills, we made an attempt. But the men said they could do only one loom each.

President.—Coming to your suggestions about remedial measures, Mr Gopala Menon, where did you get the idea of a yarn exchange from ?

A. *Mr. Gopala Menon.*—Such is my own idea. Some protection will be necessary to the hand-loom industry, and they should be able to get good yarn at cheap prices. All over the world they have a central organisation for the marketing of yarn.

Q. Have you any experience of the working of a yarn exchange anywhere ?

A. No. But I have read about yarn exchanges in several parts of the world.

Raja Hari Kishan Kaul.—In which places ?

A. In Bombay I presume there is a yarn exchange or they are trying to establish one.

Q. Is it a yarn exchange ?

A. It is a cotton exchange that is in Bombay. But what I say about the yarn exchange is a theoretical idea I have.

President.—What do you mean by exchange insurance ?

A. Insurance against the rise and fall of exchange.

Q. I hope that will not be necessary in future.

A. No, when exchange is stabilised.

Q. Will you elaborate your two ideas about yarn exchange and exports credit scheme ? I cannot quite see how an exports credit scheme is going to help the exporters.

A. The Government Bank may take up the work of guaranteeing exporters a certain percentage of the value of the goods exported under certain prescribed conditions. That is what I mean.

Q. The exports credit scheme was only a temporary scheme adopted for exports to impoverished countries in the abnormal conditions arising out of the war. I don't therefore see how an export credit scheme is going to work in ordinary times.

A. You can help the local industries. If there is an export credit scheme, there will be more confidence created on the part of the exporters to carry on their trade.

Q. I don't quite see how the scheme would work.

A. If the Government would only guarantee exporters a certain percentage of the value of the goods that they want to export to countries of poor purchasing power, under certain conditions, they will be creating more confidence in the minds of the exporters and they can develop business in that way.

Q. As this scheme was originally worked, it was practically in response to a definite demand. People could not pay for exports at that time. But the demand was there. You must have the customers before you can work an exports credit scheme, as far as I can make out. Take China, for instance. Your scheme would mean that Government should guarantee the merchants against losses on anything they chose to export to China whether there was a demand for it at the other end or not, and whether they had customers or not.

A. Of course, we are now faced with this question that people are not manufacturing and are not prepared to do business here on account of the foreign competition. We shall create a demand by guaranteeing these exporters business for the purpose of selling.

Q. How can you guarantee business ? The business must be there. An exports credit scheme would not provide the business.

A. I suggested it only as one of the remedial measures which could be adopted if there is actual demand in a country with a poor purchasing power.

Q. I do not quite see how you can make it work. When political conditions in China, for example, become normal, if there is better demand from China, will not that demand be supplied by Japan ?

A. Japan has got only about 5 million spindles, I believe, and we have more than 8 million spindles. But we are not getting enough business for all the spindles that we run here. Japan cannot supply all the requirements of China although it is nearer to China. Certainly China will in the long run have to buy in the Indian market.

Raja Hari Kishan Kaul.—What about the mills in China ?

A. But for a huge country like that it has not enough mills for the present. I don't think it is such an easy thing to put up a mill and work it up. You want very big capital. You have to put up machinery, workshop, warehouses, etc. China cannot establish

more mills so easily. That is why I think that a market like China could be got hold of if we have an exports credit scheme.

President.—Why do you say that the Government should guarantee ? Whom is the Government going to guarantee ?

A. The exporters.

Q. How can you create confidence unless the customers have got the money to buy ?

A. For instance, in Japan, there is the consumption duty and the Government gives a rebate. That is how I think, we can help the industry and develop the market. Of course, we are assuming certain conditions here.

Q. The consumption duty has been abolished ?

A. Now it is abolished. Originally it was intended for the purpose of encouraging the industries.

Q. How does a consumption duty encourage exports even if there is a rebate on exported goods ?

A. The consumption duty is for goods produced and consumed internally. When they were exported a rebate was given. Thus, it stimulated exports.

Q. That has been abolished, in any case. Japan has not got an exports credit scheme for the textile trade. My point is that the scheme was adopted in the conditions arising out of the war, and, as those conditions have ceased, I do not quite see how it is going to help the industry.

A. Now, each industry in India is in a very depressed condition, almost in the same state as other countries were in at the time of the war.

Q. It had nothing to do with the depression in the industry itself. It was the depression among the consumers which were not of the abnormal conditions on the continent.

A. Yes. In the same manner China is not now buying on account of its internal disturbed conditions. What I had in view was that if you have an exports credit scheme, the exports could be pushed through.

Q. Coming to the question of a protective duty, you say that "in the case of piece-goods we are afraid that Japanese piece-goods have to be discriminated" why do you suggest discrimination against Japanese piece-goods and not against Japanese yarn ?

A. There is great competition with Indian yarn up to 40s. Therefore, I say you may levy a higher duty on yarn of 40s and under not only of Japan but of all other countries. In the case of piece-goods, my idea is that there must be an import duty imposed on Japanese piece-goods only, because they come into more severe competition with Indian mill-made goods.

Q. Then, why should you impose a higher duty on yarn ?

A. Because our mills are manufacturing the same counts of yarn.

Q. How can you differentiate against a particular country ?

A. Because they are not following fair methods in their industry. They are not giving effect to the conventions of the Washington Conference. If they consider that cotton industry is an international industry, and if they fall into line with the agreements made at that Conference, certainly we will treat them in a better way. But they are not doing so.

Q. But you say in your covering letter, Mr. Gopala Menon, that "The Board will no doubt be aware that Japan....cannot very much longer put off complying with the Washington Convention." If that is so, why do you consider it necessary to discriminate against Japan ?

A. They say that in the course of the next three years they will introduce the terms of the Washington Conference but not now.

Q. They have taken some steps in that direction, have they not ?

A. No. What they said was that they would agree to carry out the recommendations in three years time. All other countries and we in India gave effect to them immediately after the Washington Conference passed those recommendations. But Japan did not do it.

Q. I presume you are aware that a duty on Japanese goods will mean the abrogation of the British Trade Convention with Japan. The duty suggested by the Bombay Mill-owners' Association is only 5 per cent. at the outside as protection against Japan because it is not following the Washington convention. Do you consider it worth while having a tariff wall against Japan of 5 per cent.

A. If we can bring the Japanese to terms, I am not for running them down.

Q. Is it worth while discriminating against Japan on account of that 5 per cent.?

A. Our mills are manufacturing yarn of 40s and under, and our trade in yarn has dwindled on account of the Japanese competition. How are we to get back to that position ?

Q. The duty according to the Mill-owners is 5 per cent. at the outside. Is it worth while ? That is my point.

A. If it is going to be only 5 per cent., I am not for going against them for that particular 5 per cent. What I say is that owing to Japanese competition we are losing not only the Indian mill business but also the Lancashire business. I remember about 1914 our importation of grey goods from Japan—I am speaking from recollection—was about 28,000 bales of jaconets and shirtings alone and probably it will be something like 4,000 bales now.

Q. The question is how far would a 5 per cent. duty help us against Japan on account of its failure to observe the Washington Convention ? What possible use would that be to the mill industry in India ?

A. Probably, when we do that, they will come to terms and adopt the recommendations much quicker than they would do.

Q. Do you think that a 5 per cent. duty will do it ?

A. Not exactly 5 per cent.

Q. Apart from that, I understand that your Chamber is not in favour of a general increase in the import duty.

A. No, it is not in favour. They want it on yarn and Japanese cloth alone.

Q. Your objection is on the ground that it will raise prices ?

A. Yes. My friend here considers that it will give no protection to the mill industry unless at least a 12 per cent. duty is imposed. The majority of the members of our Committee are not for it.

Q. On the ground that an increase in price will not benefit the mill industry ?

A. Yes.

Raja Hari Kishan Kaul.—You say, " if the application of other remedial measures fails, an extra import duty will be the only possibility." What are the other remedial measures ?

A. Coming to terms with Japan, and also those things I have mentioned in answer to Question 103, yarn exchange, exports credit scheme, cheap transport and things of the kind. If after adopting some such means, we cannot remedy things, then we will have to impose an import duty.

Q. If the measures suggested in your answer to Question 103 are adopted, then you think no import duty is necessary, If they cannot be carried out successfully, then you say that an import duty must be levied on yarn up to 40s from all countries and on cloth from Japan. Is it not so ?

A. Yes, only on yarn and Japanese cloth.

Mr. Majmudar.—As to the export credit scheme, do you want credit for the goods sent out to the markets in India or outside India ?

A. *Mr. Gopala Menon.*—Outside India.

Q. Don't you want any credit for the goods which you get from Bombay ?

A. No. I had in view the idea of getting hold of the foreign markets which we have lost.

Q. Is there no difficulty in regard to the merchants' financing the goods that they are purchasing from the Indian mills ?

A. Being Indian merchants, if they extend the mill industry locally, the mill industry will prosper.

Q. In Bombay we were told that the merchants find it difficult to get credit for the Indian goods. Is that the condition here also ?

A. It is not so here.

President.—Why are you not in favour of an export duty on cotton ? Are you a member of the local Cotton Committee ?

A. No, I am not ?

Q. Or of the Central Cotton Committee ?

A. My friend here is our representative on the local Cotton Committee—I mean our Chamber's representative.

Q. What is your objection ?

A. It is because we dont't want to penalise the agriculturists. We export 50 per cent. of the cotton grown now. I do not want to saddle an extra price on cotton which will have to find a sale in the foreign markets.

Q. Do you consider the export duty will keep the price of cotton down ?

A. Yes.

Q. The argument for an export duty on cotton is that the Japanese take from India certain grades of cotton which they cannot get anywhere else and that therefore the export duty will have no effect on prices. What is your view ?

A. We are not the only suppliers to them. They will get cotton from Africa or somewhere else. They will change the market. We are trying to improve our Cambodia cotton and any cotton that cannot be used by our mills should be sold to Japan and other countries. I do not think Lancashire is buying anything from us now, but probably they will buy when they can get the fine grade they want. But until that stage is reached, I am not for an export duty on our cotton which will divert our customers from this market to any other market which is devoting all its attention to the improvement and expansion of cotton cultivation.

Q. Do you consider, Mr. Gopala Menon, that the scheme of imposing a specific duty on cloth is practical ?

A. *Mr. Gopala Menon.*—Now on a cloth which is heavily sized, you have to charge duty on the pound. The weight of the cloth may be different if you take away the sizing of the cloth. There may be a well-sized cloth for which we will have to pay a much heavier duty than otherwise. That is one objection. Then the calculation whether a cloth is or 16s × 18s or 22s × 22s involves a great deal of work not only with importers but with the Manchester people who prepare their invoices, and with the customs offices also.

Q. So, do you prefer the *ad valorem* system ?

A. Yes, we are for an *ad valorem* duty.

Witness No. 38

THE BENGAL CHAMBER OF COMMERCE

Written Statement dated 16th September 1926

General

A study of the Bombay millowners' statement of their case, and of the press communiqué and questionnaire issued by the newly constituted Tariff Board, shows that the reasons on which the arguments for additional protection are based are mainly directed against importations from Japan. It appears that the Government of India cannot accept as valid the statement of the case contained in the Bombay Millowners' Association's letter of the 26th March 1926 and Government make it clear that they are unable to assent to the Committee's proposition that the case for safeguarding duties (as opposed to "general protection") should be accepted as established. Government, however, are prepared to admit that a *prima facie* case for enquiry has been made out. But they hold that the enquiry should be a comprehensive one and that the whole field should be opened to the body entrusted with it.

We members of the Bengal Chamber of Commerce who are interested in the importation of piece-goods from the United Kingdom and who constitute a large section of the Chamber strongly combat any proposals having in view the object of increasing the import duties on cotton goods coming into India. But we are nevertheless prepared to admit that Japanese millowners have an advantage over Indian millowners in that they work double shifts and we are prepared to believe that the working of double shifts in Japan is facilitated by the fact that the employment of women at night is not prohibited.

We are further prepared to admit that the present condition of the mill industry in India is in some measure due to competition from Japan but we do not admit that it is solely due to such competition.

It is claimed by the Indian mills that their selling prices are regulated by the level of those of the imported piece-goods.

It follows therefore that any increase of duty must enhance the price of cotton goods, whether imported or produced in India, to the Indian consumer.

Statistics prove and it is generally accepted that the Indian consumer in bulk cannot afford to pay more that a certain sum per annum for clothing; any increase in prices would therefore result in a corresponding reduction in the total quantity saleable.

An increase of duty for protective purposes would benefit a small section of the community at the expense of the large majority of the Indian people and would place the Bombay millowners in a position to exploit the rest of the population for the benefit of their own pockets.

The present depression in the cotton trade is not confined to Bombay alone, but is practically worldwide. Lancashire mills spinning American yarns are at present only running alternate weeks of 48 hours and the majority of mills, both spinning and weaving, have during the past few years, been running at a heavy loss. (Figures proving this can easily be obtained through the Manchester Chamber of Commerce.)

This depression has to a large extent been caused by expensive raw material and overhead charges limiting consumption, and also by a continuously falling cotton market for the last few years inducing caution in purchasers of cloth and causing them to buy only on a hand to mouth basis. The result is that the world's production of cotton goods is in excess of the offtake.

The full effect of the remission of the excise duty in October last has not yet made itself felt owing to the instability of prices consequent on a continously falling market for raw material.

European and Indian merchants who have been in the import piece-goods trade for generations would suffer severely owing to the falling away in their business which must naturally follow any protective legislation. Indeed they might have to close down and this would cause serious hardship among large sections of the Indian people all over India.

The magnitude of the interests involved may be judged by the fact that the imports of cotton goods into Calcutta during 1924-25 were 40·87 per cent. of the total imports of merchandise while in 1925-26 the percentage was 34·97.

Further protection on cotton goods would cause a serious diminution of imports, followed by a loss of revenue to Government in Customs duty and such loss is unlikely to be counterbalanced by the increase in duty.

The Indian mills already enjoy a protection of 11 per cent. over Lancashire goods, as compared with 7½ per cent. up to the end of last year when the excise duty was remitted. The Indian cotton mill industry is not in its infancy and sufficient time should be given for the present protection to manifest itself before a further protection is granted.

About 30 per cent. of Lancashire's export trade in cotton goods is with India, and the imposition of any prohibitive duty is likely to have serious effects on that industry, which has already been affected by the protective duties imposed in recent years.

Lancashire cloths do not compete directly with the production of the Indian mills. The latter have the monopoly of the coarse grades, whereas Lancashire specializes in the finer counts. In our opinion further protection would increase the cost to the consumer without materially assisting Bombay mills in capturing part of Lancashire's trade in the finer qualities which owing to various factors (climate, labour, raw material and equipment) cannot be produced in India. It is interesting in this respect to look at the illustration afforded by the Indian jute mills as compared with the Dundee jute mills. The jute industry of Calcutta, although well equipped and with the highest grade of raw material at its doors, does not manufacture goods of such fine quality as are manufactured in Dundee.

To sum up: it is not by legislation that the cotton industry, either in India or elsewhere, can return to healthy conditions.

This desirable result cannot be obtained until economic factors bring consumption into line with production, when the operation of the law of supply and demand will bring prosperity to those mills working on a sound financial basis.

Every effort must be made to stimulate cloth consumption by cheapening production: whilst the industry as a whole would benefit by such mills as are not economically sound being forced either to put their house in order, or to close down, thus assisting the levelling process between supply and demand.

The Tariff Board's questionnaire consists of no less than 126 questions under 7 sections. The majority of the questions are of a technical nature and could only be answered by those closely associated with mills organisation.

Some of the questions are, however, of a general nature and on these our views are as follows:—

SECTION I.—*General*

2. We consider that the depression is due to the operation of world factors.

3. We consider they are largely of a temporary character.

6. The immediate effect of a further fall in cotton would mean losses being incurred in stocks of raw material and this in the past must have accounted for much of the losses already made. The ultimate result of a fall in the price of cotton would cheapen cloth, lead to a larger consumption, and thus ensure greater prosperity for those interested in the industry.

In a manufacturing business much depends on the price of the raw material used and the cheaper a manufactured commodity is the greater the demand.

7. We agree with the reply given by the Millowners' Association in regard to this question.

9. Yes, the average earning of the ryot is reckoned to have increased by 40 per cent., whereas cloth prices are still roughly double pre-war figures.

Allowing therefore that the ryot spends 40 per cent. more in rupees for his and his family's clothing he can only obtain for this 70 per cent. of the cloth which he obtained in pre-war days.

SECTION II.—*Nature and extent of competition between imported goods and those of Indian manufacture*

15. (*a*) Yarns of counts 32s and under.

(*b*) All importations of piece-goods from Japan compete against goods manufactured by the Indian mills.

20. Figures are not available but the percentage of imports of piece-goods from the United Kingdom competing directly with the Indian mills is very small, the reason being that the United Kingdom finds it impossible to compete with the styles generally manufactured by the Indian mills.

21. We have no statistics available.

23. So far as Japan is concerned we do. The reason being that Japanese manufactures are improving every year and their prices are not increasing proportionately.

24. Although importations from Japan compete chiefly with Indian made goods they are rapidly coming into competition with better class importations from the United Kingdom such as grey shirtings, grey dhoties, flannelettes, and other plain and fancy piece-goods. They have already displaced Lancashire entirely in the large trade in grey drills as well as in grey yarns of counts 30s and 40s.

28. So far as the United Kingdom is concerned the conditions of labour are entirely in favour of India.

32. Yes. Japan has made enormous strides in the matter of quality in recent years.

SECTION VII.—*Remedial measures*

A. Suggestions put forward by the Bombay Millowners' Association

104. (*a*) Yes, provided it can be proved that Japanese manufacturers are in receipt of direct or indirect bounties such as exceptional freight rebates on raw cotton or the manufactured article or that Japanese manufacturers benefit by virtue of the employment of women and children at night or by working longer hours, then a countervailing duty to the extent of the benefits thereby received should be imposed. This would merely have the effect of stripping Japan of her unfair advantages.

(*b*) No.

(*c*) No.

105. The duty should remain in force so long as such benefits as those mentioned in 104 are received.

106. We consider that an increase in duty must have the effect of increasing the price to the consumer but only with regard to the commodities on which the duty is imposed.

109. The general answer is "no", with the exception of that proposed against Japan and for the reasons given in 104.

110. We are of the opinion that the raising of the import duty to 11 per cent. did raise the price of cotton goods and probably checked consumption.

114. Owing to the great variety of cotton goods imported into India we foresee great difficulty in framing a scientific tariff which will operate fairly.

If, however, after careful consideration this is found to be possible to the satisfaction of importers we see no objection to the adoption of specific duties in lieu of *ad valorem* duties.

As regards the amount of protection to be given we are strongly opposed to an increase of the present level except as suggested in our answer to question 104.

115. No. Every manufacturer in the world has to make provisions for depreciation and renewals and we do not consider that the Indian mills have any special claim for such protection.

B.—Other Suggestions

124. As has already been stated the full effect of the remission of the excise duty in October last has not yet made itself felt owing to the instability of prices consequent on a continuously falling market for raw material.

Further statement dated the 2nd November 1926.

Since submitting our memorandum dated 16th September 1926, other aspects of the case have occurred to us and we desire to add to our first statement and our oral examination the following remarks:—

We would emphasise that, in addition to his stake in India, the importer speaks on behalf of the consumer, whose wants it is his business to study, and who, without his intervention, would be voiceless. It is a fact that the consumer does not exist for the sake of the manufacturer or the merchant. What the consumer demands, the manufacturer must make, and the merchant must bring to his door.

The Bombay Millowners' Association has come forward with a demand for protection at a time when the industry is depressed. They attribute the depression to exceptional causes, but it is a significant fact that the three depressed industries in England, namely, coal, cotton and steel, are identical with the same three depressed industries in India.

The significance of this fact is obvious from their answers to questions 1, 2, 35, 36, 37, 74, and 79. It is obvious that the Bombay Millowners' Association claims protection owing to certain disabilities from which their mills suffer owing to being situated in Bombay island. The very fact that the cotton industry did not as a whole, in the first instance, seek protection goes to show it is chiefly the Bombay mills which feel the need of extra assistance. On this question the Fiscal Commission's report is quite clear In paragraph 105 it is stated :—

> "The question of locality may give rise to some difficult problems. It may happen that the claim of an industry to a particular rate of protection is based on difficulties arising from unsuitable location. Such considerations should not be allowed to increase the rate of protection. An initial mistake of the industrialist should not be perpetuated at the cost of the community; nor would protection in such a case be of any advantage to the particular industrialist. Under the shelter of the protection given new concerns would set up in more favourable localities, and in the ensuing competition the original concern would be unable to survive."

It is obvious that protection would help the mills in Ahmedabad and other upcountry centres to compete more successfully with the Bombay mills and finally to drive them out of existence. It would be a serious matter to raise the cost of clothing 320,000,000 people in order to compensate the Bombay mills for being situated in the wrong place. It has been estimated by the Bombay Government, Labour Department, that the Bombay weaver spends nearly one-tenth of his income on clothes, and the same is probably true of all other workers throughout India. Labour is one of the chief raw materials of all industries, and therefore any advance in the cost of one of his chief requirements must cause a rise in the cost of labour throughout India, and therefore a rise in the cost of production in all industries. It is a well-known fact that when the cost of cloth and other articles rose, wages followed and have not yet been reduced. In answer to Question 64, the Bombay millowners assert that their labour costs are high, and their views are indicated in their original statement issued by the Tariff Board. Workers in other industries and the general public should not have to pay more for their cloth because the Bombay millowners are paying higher wages than can economically be paid.

Instead of forcing on the workers the acceptance of an economical wage their answer to Question 6 shows what is a well-known fact that when trade was bad and costs of production were high, they were unable to sell, but continued working at full pressure, turning out high priced material for which there was no market. There is probably no other industry in the world that has ever adopted such a suicidal policy, and undoubtedly that policy has been one of the chief causes of the present depression in Bombay, and the heavy losses the mills have sustained.

During the war when supplies from Lancashire were reduced, and the price of cotton goods rose to a high level, the Indian mills and the handlooms received an unhealthy impetus and there was a great and temporary demand for coarse clothing by reason of the better classes having to lower their standard of living. No protection can remedy the faults of over-production, and any attempt, to raise price by protection of the coarser qualities would reduce the demand, and would thus aggravate the effects of over-production. High import duties on fine goods might drive the better class people back to the lower qualities, but surely Government cannot tolerate or sanction a policy designed deliberately to lower the standard of living. The answer to Question 11 is a mere denial of a lack of organisation, which carries no weight in view of the considerations mentioned above. The answers to questions 5, 45, and 47 are not satisfactory in explaining the inadequacy of reserves, for the answer to Question 5 suggests that the prudent mills have been successful.

The answer to Question 103 makes the most extraordinary claim. It is interesting to compare the present proposal of the Bombay mills to give a bounty on export—which means that the Indian tax-payer will pay part of the foreign consumer's price of Indian cotton goods with the system in Japan of a consumption tax, which is not charged on goods exported.

The above seems to show that the claim for protection by the Bombay millowners is not justified, and that in any case it is ruled out by the fact that the industry as a whole is not asking for protection, and that many upcountry mills and those situated in Madras do not require it. If the Bombay mills are in the wrong place, as the Bombay millowners seem to prove, then the remedy is obvious.

Having dealt with the question on its merits, we now come to the larger issue, as to whether the demand for protection, even if it were made by the whole industry, is one to which the Tariff Board could listen.

The conditions which have to be satisfied, if protection is to be granted, are laid down in paragraph 97 of the Fiscal Commission's Report, and are as follows :—

"(1) The industry must be one possessing natural advantages, such as an abundant supply of raw material, cheap power, a sufficient supply of labour, or a large home market. Such advantages will be of different relative importance in different industries, but they should all be weighed and their relative importance assessed. The successful industries of the world possess certain comparative advantages to which they owe their success. No industry which does not possess some comparative advantages will be able to compete with them on equal terms, and therefore the natural advantages possessed by an Indian industry should be analysed carefully, in order to ensure as far as possible that no industry is protected *which will become a permanent burden on the community*.

(2) The industry must be one which without the help of protection either is not likely to develop at all, or is not likely to develop so rapidly as is desirable, in the interests of the country. This is an obvious corollary from the principles which have led us to recommend protection. The main object of protection is either to develop industries which otherwise would not be developed or to develop them with greater rapidity.

(3) The industry must be one which will eventually be able to face world competition without protection. In forming an estimate of the probabilities of this condition being fulfilled the natural advantages referred to in condition (1) will of course be considered carefully. The importance of this condition is obvious. The protection we contemplate is a temporary protection to be given to industries which will eventually be able to stand alone."

The fiscal debate in the Assembly took place on February 16th, 1923 and the central legislature in its resolution categorically endorsed the above three conditions as India's fiscal policy. The motion, which was carried without a division, became therefore the established policy both of the Indian Government and the representatives of the people and included *inter alia* :—

"(c) that the principle (of protection) should be applied with discrimination, with due regard to the well-being of the community *and to the safeguards suggested in paragraph 97 of the Report of the Indian Fiscal Commission*.

From the decisions of the Tariff Board on recent applications it will be found that the applications from locomotive builders, magnesium chloride producers and coal owners were turned down by the Tariff Board because they did not satisfy these cardinal conditions and that the application of the cement producers was refused by Government on conditions very much similar to those ruling in the cotton industry, namely, over-production and the wrong location of the industry. The application of the fabricated steel industry was also refused.

The Indian cotton milling industry seems to satisfy the first condition, except apparently the important words italicised above, but in regard to the second and third conditions, the answer to Question 3 by the Bombay Millowners' Association says that the present depression is of a permanent character. It does not therefore satisfy conditions 2 and 3, nor can it be said that the industry requires development such as is referred to in the second condition, which is obviously applicable only to infant industries. The Indian fiscal policy requires that protection shall only be given if all three conditions are satisfied, and therefore the Bombay millowners' claim must inevitably fail.

It may be suggested that heavy tariff should be put on Japan and only on low qualities and the Bombay millowners appear to have given their evidence along these lines. Any duties imposed against Japan must, owing to the most favoured nation clause, be applied also to all other countries outside the Empire. Different duties on different qualities would also aggravate the disadvantages from which the honest importer is suffering; it opens the door of corruption and dishonesty in the preparation of invoices and it would induce dishonest importers to offer bribes to subordinate Customs officials. It is not right to expose the latter to the very grave temptation to which they would be subject. Differentiated duties may theoretically be possible but under present Indian conditions would probably prove unworkable.

Witness No. 38

THE BENGAL CHAMBER OF COMMERCE

Oral Evidence recorded at Calcutta on the 29th September 1926

The following gentlemen represented the Bengal Chamber of Commerce :—

Mr. A. Alker.
,, J. A. Cronopulo.
,, W. Kinlock.
,, R. Scotson.
,, M. H. Smith.

President.—I am not quite clear what your position is as regards the Bengal Chamber of Commerce. Are we to understand that you are speaking on behalf of the Chamber, or merely on behalf of the Piece-goods Section of the Chamber ?

A. *Mr. Alker.*—The Piece-goods Section of the Chamber. We are the Piece-goods Sub-Committee and we represent the whole of the piece-goods interests of the Chamber. We do not represent the Chamber because as a Chamber we have not considered the whole question.

Q. The first point on which we should be glad to have your views is the exact extent of the competition between Japanese goods, those from the United Kingdom and those that are manufactured by the Indian mills. I take it that none of you gentlemen is actually interested in the imports of Japanese goods ?

A. Not actually in Calcutta. I do not think there is any European merchant importing Japanese piece-goods into Calcutta. It is mainly done through the Japanese merchant houses here.

Q. I take it that you must have studied the Japanese imports to some extent, because naturally you are more or less in the same position as the Millowners. You are also up against the Japanese competition as they are.

A. We have.

Q. The general conclusion at which we have arrived so far from a study of such material as we have been able to obtain is that the Japanese have discovered what might be called the gap in the fence and they are coming in there. As far as we can make out, the bulk of the Japanese goods coming into this country are of counts between 30s and 40s.

A. You are referring to yarn and cloth ?

Q. Yes, yarn and cloth.

A. Cloth manufactured out of yarn between 30s and 40s. ?

Q. Yes. As you probably know, the Indian mills do not spin much yarn above 30s and therefore they do not manufacture much cloth above 30s. The point on which we would be glad to have your views is how much of the United Kingdom cloth imported into India is of counts below 40s.? If there is not a large proportion, it would seem that the Japanese have found the hole in the fence which is between 30s and 40s and that is there that they are hitting the Indian mills on the one side and the goods from the United Kingdom on the other.

A. It is a big trade. There is a very big Lancashire trade in cloth of counts of yarn between 30s and 40s. In fact I should say a very big percentage, particularly in grey shirtings and grey sheetings and dhooties ; that is where the big trade comes in.

Q. Then the inference to be drawn from that is that the Japanese competition is to a much greater extent with Lancashire than it is with the Indian mill production ?

A. Yes. Certainly.

Q. Do you agree that the bulk of the Japanese goods that come in are shirtings and sheetings, T cloths and domestics and to a smaller extent drills. Is that your opinion ?

A. They have practically captured the market in grey drills.

Q. You mean the import market ?

A. And probably the market of the Bombay mills to a certain extent as well. They have captured the import market and they have cut us out entirely from the grey drill trade.

Q. You mention here the world wide depression in the textile industry. To what special circumstances do you attribute the fact that it has not affected Japan to the same extent as it has other producing countries ?

A. I think it is mainly due to the temper of their labour and the employment of women and the hours of work which put them at an advantage over other countries.

Q. That is hardly borne out by the figures.' I imagine you have studied the Bombay Millowners' Association's representation. The Bombay Millowners are naturally interested in making out the handicap arising out of labour conditions as great as possible. But the highest advantage that they can give to Japan on account of this double shift work and the employment of women at night is 5 per cent. Do you consider that 5 per cent. is a sufficient ground for difference of duty against Japan, especially when it would mean the abrogation of the Anglo-Japanese Trade Convention ? And it has also to be remembered that if a 5 per cent. duty against Japan were imposed on this ground would logically it also have to put it against China and against the United States. I do not know whether you are aware that in the Southern States of America there is no prohibition of female labour at night and no restriction as to hours of labour.

A. No ; I did not know that. So they are on the same basis as Japan. Are they ?

Q. Yes.

A. In the Southern States ?

Q. Yes. Factory legislation in the United States is a matter for individual States and not for the Federal Legislature.

A. We are not in a position to work out what difference it would make to the Japanese. But the fact remains that the Japanese industry is the only prosperous one in the world and it is the only place where they are making money in recent years in the cotton industry and they go on selling.

Q. You, I take it, in common with the Bombay Millowners are unable to produce any evidence of dumping ?

A. No ; we cannot produce it.

Q. Have you any reason to believe that it exists ?

A. No ; I cannot say that we have any reason. It is a surmise.

Q. Do you consider in the circumstances I have mentioned that there would be a sufficient justification for a differential duty against Japan ?

A. Of course we should like to see such a duty. But whether there is a justification for it or not, I would not like to say off-hand without considering all the *pros* and *cons*.

Q. The Ahmedabad Millowners' Association which has also applied for protection has entirely abandoned the plea for a difference of duty against Japan and advocated all-round protection on general grounds. As you probably know, the other grounds on which the Bombay Millowners asked for protection was the depreciated exchange. Would you agree that the Japanese exchange can no longer be called a depreciated exchange ?

A. Yes.

Q. When you consider that it is back at the pre-war parity with gold ?

A. You cannot call it a depreciated exchange.

Q. So the argument put before us is that the 1*s*. 6*d*. rupee gives all countries an advantage of 12½ per cent. and that therefore there should be an all round increase in the import duty of 12½ per cent. I do not know whether you can give us your views on that.

A. Yes. The Bombay Millowners, I presume, want protection to reduce the quantity of goods imported. If they reduce the imports they are much more likely to be up against a rise in exchange. If they succeed by this additional protection in their object of keeping out foreign goods, then the tendency would be for the exchange to rise.

Q. The reduction in imports must be followed by a reduction in exports. Imports pay for exports. Might not the two reductions balance each other and the exchange remain at its present level ? I am merely asking your views.

A. I do not think it would follow naturally at all.

Q. If it did not, then the exchange would be bound to rise.

A. Yes, it would be bound to rise. In addition to it the steamers coming out from England would not get freight on the way out. They have to pay their way somehow. Then they will have to charge more freight on Indian produce. They have to earn freight somewhere.

Q. The Bombay Millowners' Association maintain that the 1*s*. 6*d*. exchange is a permanent handicap to their industry.

A. I do not agree with that.

Q. Will you tell us why you do not agree ? We have so far had very little evidence on the other side and we shall be glad to hear the opposite view.

A. *Mr. Cronopulo:*— If exchange was not at 1*s*. 6*d*. it might also work the other way round. At the present moment the consumer pays the equivalent of Rs. 13 to the pound approximately. But with a lower exchange he will have to pay proportionately more in rupees to the pound sterling to get the same goods. The Millowners contend that their prices are regulated by the import prices. Therefore the cheaper the commodity,

the bigger the turn-over. If the actual consumer can get the goods at a cheaper rate, the inference is that there will be a bigger consumption, a bigger turn-over.

Q. I do not quite follow the argument.

A. If the Indian mill prices are regulated by the imported articles, they must be on a lower level than they would have been had exchange been at 1*s.* 4*d.* Therefore, the consumer must get his Indian goods at a lower level of prices, which means that he will be able to buy more goods than he would have been able to buy at the higher level of prices. That would mean a bigger consumption and the mills would not have to complain. Therefore, the handicap they complain of would disappear by the larger sales.

Q. Yes; but at the lower prices.

A. Yes; at the lower prices.

Q. But if the sales are not remunerative, that will not help them much.

A. Of course not.

Q. And that is their argument.

A. *Mr. Alker.*—I will put the reason the other way. It is a matter of the level of prices. If the value of the rupee had not gone up so much, wages would have to be much higher. What the Bombay mills are suffering from is that they are still paying wages on the basis of 1*s.* 4*d.* and are forced to sell their goods on the basis of 1*s.* 6*d.*

Q. You consider that the present depression is due to the operation of world factors; but you regard them as temporary in character. Would you explain that point to us a little more fully?

A. As regards world factors, firstly we have had very high cotton for a good many years and it has been gradually coming down. The high price of the raw commodity is the first consideration in a manufacturing business. The same thing happened in the jute mills last year. We have been gradually coming down in the prices of cotton. The result has been that your buyers who buy regularly and keep reserve stocks have not been doing so. They would not ordinarily have been buying from hand to mouth. You have not got steady yet in the price of the raw material. Your cloth has been high and the consumer has had to economise. He has not been able to afford to use as much as he would generally do.

Q. Are there any signs of this condition of affairs coming to an end?

A. There are distinct signs. We had a very big American crop last year and there is a very big crop forecasted this year.

Q. Would not that send the cost of cotton still lower and tend to a still greater lack of confidence in the price level?

A. We are getting to a point now where cotton is on a level almost pre-war, and most people realise that it cannot very well go much below that because it won't pay to grow it.

Q. But is it not then possible that the mill industry in this country and possibly elsewhere will go through a still worse time before conditions improve?

A. It is quite possible in the next few months. In the transition period it is quite possible that badly managed mills may lose considerable sums. People holding stocks may lose. There is the inevitable loss when the prices change from a higher to a lower level. That is always inevitable.

Q. The price of Indian cotton is not back to the pre-war level. It is still about 50 per cent. more than what it was in 1914.

A. May I know what are the figures you are basing on?

Q. In the Bombay Millowners' Association's Statement it is given as Rs. 233 per candy in 1914 and Rs. 349 in August.

Mr. Subba Rao.—It is now Rs. 301 which is 30 per cent. more than the pre-war rate.

A. This new American crop they are growing has done it.

Q. Are there any signs of a revival of demand in India?

A. I think we have got some signs in the last few months. For instance, in Calcutta, last May if it had not been due to the riots, I think our off-take would have been 50 per cent. more. The indication was that demand was reviving rapidly and when confidence is regained stocks up-country right through will require replenishing. There is no doubt whatever that at the present moment stocks up-country are very very small.

President.—I take it then that you would consider that one of the causes of the depression in Bombay is that the mills are in present conditions compelled to hold stocks which in the old days would have been distributed throughout the whole of India?

A. That is my feeling to a large extent.

Q. Is that your experience as far as the imported goods are concerned?

A. Yes.

Q. Naturally that would also apply to the Indian mill production.

A. Yes, it does. There is another point also which in the present condition at any rate is probably aggravating the depression. That is when you do get a demand from up-country, it comes from all over at the same time. It is a very brisk and emphatic demand and the railways are not able to deal with the sudden rush of goods. It frequently happens, as during the last few years, that when we get this demand the railways are not able to cope with it. The demand is there, the goods are wanted at that time, but you cannot get the goods up-country and they carry on with what they have got.

Q. I should think that condition of affairs is hardly likely to arise in the future. As you probably know I was President of the Coal Committee a year or two ago and we went very extensively into this question of wagon shortage and I imagine that matters have improved very greatly in that respect and that the shortage of wagons is not likely to be felt in the same degree in the future. You have not been in a position to test it ?

A. I am afraid we have. It was felt last May and it was felt in the case of sugar only two or three months ago. I wish I was as optimistic as you about it.

Q. I knew there was no trouble in regard to wagons for coal and I drew the inference from that that there should be no trouble in regard to other products.

A. I think it is not so much the wagons as the accommodation at the railway booking sheds.

Q. Have you studied the Indian mill production at all ? We have received various complaints. We have been told by some of the Madras witnesses, for instance, that Indian yarn is not so uniform in quality as the imported yarn and there is also the complaint of short weight and other defects of that kind. I do not know whether you can say how far that affects the competition of the imported piece-goods.

A. No ; I do not think it does. I should say that the usual run of Indian mill production is not so uniform as the Japanese or the British. But there are certain mills which make good quality. You get variations in quality of all counts of yarns.

Raja Hari Kishan Kaul.—Can you give us any idea of the extent of import of grey bordered dhotis from Japan ?

A. Yes ; I can. Do you mean for the whole of India or Calcutta ?

Q. Anything you can give us. For the whole of India ?

A. We will give the whole range from 1919—

108	bales in	1919
330	„	1920
48	„	1921
Nil	„	1922
170	„	1923
206	„	1924
3,593	„	1925

10,611 bales up to the end of August 1926.

This is for Calcutta.

President.—What sort of counts would those be ?

A. In the region of 30s to 40s. It is pretty well the same type of yarn as that of grey shirtings.

Raja Hari Kishan Kaul.—As regards figures for the whole of India ?

A. I have not got them for the whole of India. I have not got Karachi but that will be negligible. For Madras practically nothing. Bombay—that has gone up, but nothing like Calcutta. Calcutta is the biggest place for dhotis. Bombay up to August 1926 was 465.

Q. Are grey dhotis of this type being largely imported from the United Kingdom ?

A. Yes.

Q They are still largely imported ?

A. Yes.

Q. So that these bordered dhotis are coming in direct competition with the imports from the United Kingdom ?

A. They are competing with the United Kingdom.

Q. There is also local production to some extent in that line ?

A. There is a very big production. The Indian mills produce a lot. Of the Indian production probably the majority is of heavier yarn, lower counts of yarn.

Q. But a number of mills are producing dhotis from 30s to 40s.

A. Yes.

Q. Have the Japanese imports completely replaced imports of 30s to 40s yarn from England ?

A. For all practical purposes they have displaced that trade.

Q. So there are now no imports to speak of of yarn under 40s from the United Kingdom?

A. No. Japan has practically captured that trade now.

Q. We were talking about the effects of exchange on the prices of cloth here. I understand the Bombay Millowners' case to be that prices will adjust themselves whatever the exchange is stabilized at, whether at 1*s.* 4*d.* or at 1*s.* 6*d.* But for the present, while the wages are still fixed on the 1*s.* 4*d.* basis and they find it very difficult to reduce them, it would be disadvantageous to them if the exchange were fixed at 1*s.* 6*d.* and it is in this transition period that they stand to suffer most. That is what I understand was their case. Do you think even at present 1*s.* 6*d.* will not do any harm ?

A. I think 1*s.* 6*d.* exchange has been in force long enough for internal prices to adjust themselves.

Q. Do you think that they will have to reduce the wages to the basis of 1*s.* 6*d.* ?

A. I think the Bombay millowners are paying too high wages. They are paying on the basis of 1*s.* 4*d.* whereas the rest of the country is on 1*s.* 6*d.*

Q. Their contention is that it is impossible to reduce the wages. Is there any possibility of reducing them ?

A. I think they were on the point of reducing them a short time ago. They very nearly succeeded, but unfortunately they made a promise that if the excise duty was taken off they would give the wages back.

Q. You think that a chance would come to them again ?

A. I think it certainly should. I think they are paying considerably more than is called for. In no industry with world competition can you give a higher wage than the world prices would admit of.

Q. We have heard the Labour Unions and they think that the intrinsic value of the wages is still too low.

A. Well, of course, it is a natural thing for them to say.

Mr. Subba Rao.—Would you tell us something more about the depression, not merely as regards cotton ? You must be in touch with a number of industries in Bengal. Have you seen during the last three or four years any changes in the demand for their products? Have there been any signs of depression ?

President.—In other words, is there, for example, also depression in the jute industry at the moment ?

A. Yes. For instance when the price of raw jute rose enormously last year, the jute mills were suffering. They were losing money on the prices they were getting. They could not manufacture hessians at a profit and when the prices went up the demand fell off from the overseas buyers and there was a reduced off-take.

Mr. Subba Rao.—That is hardly an indication of depression—a rise in the price of raw material ?

A. Our contention is that this depression in cotton industry is due to the continuous high prices of raw material—to a very considerable extent.

Q. And a low price for the manufactured commodity ?

A. There is a limit. If the price of the manufactured commodity rises to a certain point above that limit then the demand falls away because people economise.

Q. That is not exactly what I was wanting to get from you. Has there been a falling off of demand ? I suppose you are the members of the chamber who import commodities and deal in goods sent from one part of the country to another. Has there been during the last two or three years anything like a diminution in the volume and value of the goods that pass through your hands ? That is one sign of depression—a smaller amount of goods put through the trade.

A. In the trades I come in contact with I have not found it that way.

Q. We want some indication of depression that way. When you say that the country is passing through a depression, we understand that there is a diminution in trade.

A. Take the oil trade, for instance, kerosene oil. The consumption is rising enormously on all sides in both kerosene and petrol.

Q. Is that a sign of depression ?

A. No.

Q. We want some external indices of depression. If there is diminished purchasing you must produce less and import less. But if you are importing more and selling more, that would be hardly a sign of depression. You are not manufacturers, but goods pass

through your hands, either local products or imported products. What signs do you see of a depression ?

A. Take sugar. The sugar trade has gone on. There you had low prices.

Q. That is what I want to get at. It is a question of low prices and not diminished production or diminished imports in any appreciable sense of the term. You get about the same volume of trade as before; but the margins are smaller than before. Is not that so ?

A. No. I do not think so. I think you get probably the same value of trade as before and not the same volume. Not the same volume in piece-goods because the value is considerably higher in piece-goods, consequently the trade is so much less.

Q. Could you get similar indications in other trades ? For instance, you spoke of kerosene. Is it a question of the same volume of kerosene being imported or the same value ?

A. I think there is increase in both directions.

Q. So that would not be in point ?

A. I do not think kerosene is possibly the right thing to take, because it has been for 20 years a great deal on the upward line.

Q. Has there been anything like a check in the rate of increase ? There may be an increase, but has there been anything like a diminution in the rate of increase ?

A. I should say it is fairly steady.

Q. Are there any other commodities which the members of the Chamber deal in, that show such a diminution in quantity and not in values ?

A. Well, I cannot speak for metals; but I should think that metals have fallen off. I think there is not a big trade which would give an indication. I have already spoken of sugar.

Q. Could you just tell us, has there been anything like serious fall in the price of stock and shares on this side since the last two or three years ? That is one sign of depression.

A. A very very severe fall in coal and cotton mill shares. Jute mills have fallen.

President.—You might have given Mr. Subba Rao coal as the best instance of depression. The Indian coal trade is in an even more depressed state than the textile industry.

A. Yes; I thought you were dealing with imports.

Mr. Subba Rao.—Yes; I was thinking of goods that were passing through your hands.

A. The coal industry is worse than the cotton industry.

Q. Then about drills, do I understand you to say that the Japanese drills have been displacing Lancashire drills in the trade ?

A. Yes.

President.—What counts are those ?

A. Coarse—heavy yarns.

Q. Sixteens mostly ?

A. I should think so—16s to 20s.

Mr. Subba Rao.—Have they affected, in your experience, local products also ?

A. I have not much experience of the local grey drill trade.

Q. You do not import from Bombay side any Indian mill made drills ?

A. No.

Q. I find the figures here show that Bombay products have been increasing in volume.

A. In this market ?

Q. No. Generally in spite of competition. Japan has not affected the local output to a large extent. Do you see any signs of the Japanese goods taking the place of the Indian mill output ? You say it has taken the place of Lancashire.

A. We do not think they have cut in very much into the Indian made goods.

President.—Madras has hardly been affected we are told.

Mr. Subba Rao.—Then you mentioned a point about transport. Is it a serious difficulty in times of increasing trade that you cannot find wagon accommodation ?

A. Spasmodic, and when it has come, it has been serious because we have not been able to get goods away and the dealers who come to Calcutta go back without the goods.

President.—The Bombay Millowners' Association hold that the prices are determined by the Japanese imports. What does determine the prices ruling in the piece-goods market in your view ? Would you agree with that view that prices are determined by the Japanese imports ?

A. Yes; I should say that one deciding factor is the cheapest source of supply.

Q. It is the cheapest source of supply which determines the price ?
A. Exactly.

Q. And the Japanese are at present in that position ?
A. Yes.

Mr. Majmudar.—Can you give us an idea about the difference in price between the Japanese yarn and English yarn and the Japanese cloth and the English cloth of the same counts, and say how much the Japanese are selling cheaper than the English ?

A. Take 40s grey yarn. In recent times I think that as regards the price at which Japan had sold to India and the corresponding price at which we can import from England, the difference has been something like six pies to one anna in the rupee.

President.—I have some figures here for Japanese yarn which I got yesterday, showing that 40s yarn is, ready Re. 1-3-0 and forward Re. 1-2-6; Manchester yarn, Re. 1-1-6 and forward Re. 1-1-0. I am told that the Japanese were selling although their prices are 0-1-6 above Manchester; is that so ?

A. *Mr. Kinloch.*—Recently prices have been cheaper for Lancashire. Lancashire have quoted cheaper than the Japanese quotations.

A. *Mr. Alker.*—There are various qualities of yarn. We cannot take all 40s as the same quality. That particular quality which you have set down for Japan might be a considerably better grade than the one from Manchester. For instance at the present time there is a tremendous lot of what is called rejects—40s rejects, imported into this country.

Q. Will the Japanese yarn be of superior quality ?
A. It might quite easily be. Some of their 40s are of extraordinarily good quality.

Q. Then that raises the interesting question whether if you were to put on a protective duty, it has not got to be a fairly substantial one, because there might be a difference of two annas a lb. Even a duty of four annas per lb. might make no real difference in Calcutta.

A. *Mr. Kinloch.*—That difference could not last.

A. *Mr. Alker.*—Are those selling prices in the bazaar ?

Q. As a matter of fact, they were supplied by the Bombay Company. I did not go into the question of exactly for what qualities they were, but assumed that they were for corresponding qualities.

A. If you get the Japanese quality which is coming regularly and has established itself well and if there is a brisk demand for that particular ticket, then the price might easily go up, two annas one day or one anna at any rate. The only way of getting a real check on the comparative, relative prices would be to get a firm offer from Japan and a firm offer from England for corresponding qualities; and I think our experience has been that there has been a difference of sometimes six pies to one anna in the rupee in favour of Japan. Japan has been much cheaper, quality for quality.

Mr. Majmudar.—Have you any idea about difference in prices of cloth ? Take dhotis for example ?

A. In dhotis they have only recently started being a serious factor.

A. *Mr. Cronopulo.*—It is not exactly the same quality. There are certain qualities they started importing which are competing with us. We cannot call them exactly dentical qualities; but they are similar—the best they have been able to put against these qualities—that they have been able to produce against goods coming from Lancashire. We certainly find them cheaper to the extent of about 5 per cent.

President.—Do you consider that value for value the Japanese are giving better value than the United Kingdom or not ?

A. I do not think they give the same value as Lancashire manufacture.

A. *Mr. Alker.*— In yarn and grey shirtings there is nothing very much in it. They do give very good qualities. But dhotis are hardly up to Lancashire standard.

Q. To what do you attribute this increase in the dhotis ? Is it merely because they have discovered another profitable line ?

A. Well, really anybody trying to get into Indian trade, particularly the trade on this side of India, finds the obvious thing to do is the dhoti business.

Q. Why then they have not gone in for it earlier ?

A. Probably they did not get the machinery for manufacturing the borders and other things and for securing the requisite finish.

Mr. Majmudar.—A plain border dhoti does not require any special machinery. The same machinery would do for plain cloth and shirtings unless there is a difference in width. The shirtings are, I believe, 44 inches wide and also dhotis.

A. Of course you get a lot of narrow dhotis. At any rate a dhoti is a more difficult thing to handle. It is a little more complicated.

Q. Do you mean it requires some study in order to get into the dhoti trade, while "shirtings" is an easier line?

A. The shirtings trade is simpler.

Q. Or is it that the Japanese have taken to dhoti trade later because they find more competition in the shirtings' trade?

A. I could not tell you that. I think they took it up because they have been successful in shirtings and they went in for the next big trade.

Q. Are the dhotis that are manufactured by Japan of an inferior kind or are they of lower reed and pick than the English?

A. They are very very similar qualities. In dhotis from Lancashire you get a range of counts of every degree. There are certain types which the Japanese have gone for, made of yarns of 32s to 40s.

Q. You say "The full effect of the remission of the excise duty in October last has not yet made itself felt owing to the instability of the prices consequent on a continuously falling market for raw material." So far as the mills are concerned, they gave a rebate to the merchants to the extent of the remission of the excise duty. Are not the Indian mills at present quoting, after making a full deduction due to the excise duty?

A. I do not quite follow you.

Q. You say "the full effect of the remission of the excise duty in October last has not yet made itself felt owing to the instability of prices".... Now so far as the Indian mills are concerned, they reduced their prices immediately the duty was taken off. The prices having been reduced, if more cloth was going to be purchased because of the reduction of prices, that ought to have happened long ago.

A. I mean the prices paid compared to the time when excise duty was taken off are not only 3½ per cent. cheaper but about 23½ per cent. I think.

President.—As a matter of fact in the case of standard long cloth there has been a drop of prices from 17½ to 16.

Mr. Majmudar.—It might be 15 now.

President.—The last quotation gives 16. There is no obvious drop in prices at all in standard long cloth.

Mr. Majmudar.—In November it was 18½ annas and in December it was 17½ annas. The duty was taken off in December.

A. I am afraid the drop has been considerably greater in ordinary dhotis.

President.—You are referring to imported goods?

A. No; to the mill goods. If you want I will give you the actual sale price in the afternoon. Speaking off hand, I should think it is from 1-10-0 to 1-5-0. There has been a bad drop in prices apart from the excise duty and it looks at the present moment that it will be considerably greater owing to the further drop in cotton. Actual sales of a standard dhoti were:—October 1925 Rs. 1-12-6; January 1926 Rs. 1-8-6; April 1926 Re. 1-6-0; June 1926 Re. 1-7-0; October 1926 Re. 1-5-6.

Mr. Majmudar.—But so far as the effect due to the remission of excise duty is concerned there can be no further effect. Whatever effect was likely to be produced has been produced in December. There could be no further effect on the prices of goods here in India on that account.

A. By the effect you do not mean to say the effect on the prices of goods. What you mean is the effect on their ability to make profits on the manufacture of those cloths. The price of course moves with the cotton. The recent drop in cotton prices hides the effect of the remission of the excise duty and what we meant was that the effect of the remission should enable them to hold their own in their home market.

Q. Would not the drop in cotton make the competition stronger? If cotton drops, the value of the cloth drops and therefore, would not the import duty on the Japanese cloth coming to India be reduced?

A. Yes.

Q. Would not, as a consequence, the difference in prices between the Japanese and the Indian goods due to the import duty of 11 per cent, narrow down?

A. That is so. It would follow.

Q. Would not therefore the Indian mills be at a greater disadvantage due to the fall in prices of cotton ?

A. I do not think so. I think they get an advantage in the increased consumption at a lower level of prices.

Q. We are looking at it from the point of view of sales at a profit. Of course the consumption might increase. But whether the price will be remunerative is a question.

A. Yes. I think the usual experience in most manufacturing trades is that if your raw material drops, your manufacturer generally is able to hold a certain amount of that drop for himself in the same way as when the raw material rises, it is very seldom that he gets the full increase.

President.—There is always a lag ?

A. Yes ; there is always a lag on the rise as on the drop as well.

Q. I take it what you really mean is that it is very difficult to work it out ?

A. Exactly. You cannot really gauge what effect there has been.

Mr. Subba Rao.—Would it not affect the value of the stocks ? You admit immediately they will suffer ?

A. Yes ; they suffer immediately on the stocks they are holding. When I am talking about profit, I am not talking about the particular moment. I am taking a long view of the thing and we have to work it out. Because, if they have bought cotton at Rs. 360 instead of at Rs. 300 at a later stage there would be much difference. There is a lot in buying cotton.

Mr. Majmudar.—With reference to the 1*s.* 4*d.* or 1*s.* 6*d.* exchange, it has been argued that when the exchange is at 1*s.* 6*d.*, the Indian agriculturist gets less in rupees for the produce that he sells. At the same time he has to pay the assessment, rent, etc., in rupees and therefore the balance that remains with him for spending on other requirements is less than it would be in case the exchange is at 1*s.* 4*d.* and it is because of that that he is not able to make purchases of cloth and other articles to the same extent as he would if the exchange were at 1*s.* 4*d.* What is your opinion on that ?

A. I do not think that is very convincing. I do not think the ryot is worse off than he was, reckoned in rupees. When exchange was at 1*s.* 4*d.* he was probably just as well off.

Q. You are referring to the general increase in prices ?

A. Exactly. Of course the rupee is of a higher value now.

Q. The prices in the European markets are in sterling and he would get the same price in sterling whether the exchange is 1*s.* 6*d.* or 1*s.* 4*d.* If the exchange was at 1*s.* 4*d.* he would get more rupees in India than he would get when it is 1*s.* 6*d.* He has to pay the same amount in rupees as rent, assessment, etc., and therefore the balance left to him for spending on other articles is less when the exchange is 1*s.* 6*d.* than when it is 1*s.* 4*d.*

A. Yes ; to the extent due to the assessment I suppose, if that remains stationary. That is the point you make ?

Q. What as regards labour ?

A. I do not think you can apply it to labour, because labour should be governed by the level of internal prices. The level of wages should (whether they have or not at the present moment in India) come on to that basis. Therefore it is merely the amount they pay in rent which is affected by exchange.

Q. Rent and assessment.

A. And naturally rents are liable to be put up in the same way as anything else. They are not necessarily stationary. They should all really move with the change all the world over. Internal prices should adjust themselves with world prices.

Q. That would take some time.

A. There is a limit. 1*s.* 6*d.* has been in force for a considerable time. The adjustment won't take a generation ?

Q. So far as the assessment is concerned, it is I believe the same.

Mr. Subba Rao.—The ryot stands generally to gain in relation to assessment and not to lose.

President.—What the Bombay Millowners' Association in their oral evidence wanted was a duty on yarn below 40s and on cloth made from that yarn. In your view that would hit goods from the United Kingdom very heavily indeed ?

A. Very heavily.

Q. What about 30s ?

A. 30s and below ?

Q. Yes.

A. I do not think the United Kingdom would be hit to any extent at all.

Q. Your view is there is a considerable range of products coming from the United Kingdom of counts between 30s and 40s ?
A. Very considerable.

Q. That brings us to the question of specific duties as opposed to the *ad valorem* duties. Can we have your views on that ? You can look at it from two points of view, from the point of view of infomation and from the point of view of protection. It is obvious that from the point of view of protection, you want the information. We have been greatly handicapped by the unsatisfactory character of the evidence we have received in regard to the range of competition between goods from the United Kingdom, Japan and the Indian mill production and whether protection is the outcome of our enquiry or not, it seems most desirable that that state of affairs should be put an end to. This country should, at any rate, know what competition it is up against and, therefore, we have to consider how we can secure that information. The tendency now-a-days is undoubtedly, in order to simplify the customs administration, to substitute specific duties for *ad valorem* duties.
A. Yes.

Q. Therefore, the point on which we want your views is how this change can be softened to the importer as far as possible, because it seems to be an inevitable change, and that information as to the exact quality of the goods coming into this country must be forthcoming.
A. Well, the range is so enormous and the degree in difference from one to another is so fine that it is a most difficult thing to divide them, to get a definite dividing line.

Q. I suppose you know something about other tariff valuations, in Austria for instance. The Austrian tariff is the latest tariff we have. They have duties based on counts of yarn and the number of elemental threads to what answers to the square inch in the metric system.
A. If you grade duties, it will probably go up by half counts. They move up from 10 reed and 9 picks to 26 reed and 26 picks in a quarter inch and in special cloths higher. Even sometimes there is a difference of half of one thread per quarter of an inch. The range is something colossal in this country. This country is not like most other countries where they get a few classes. In this country you have no standard. Then again in addition to that, you have got an enormous variation in borders in dhotis. If you say the specific duty should be so much for so many threads per square inch, then you won't tax the borders, etc. You get borders from $\frac{1}{16}$th inch wide to $3\frac{1}{2}$ inches wide, and the value of these borders is considerable in relation to the value of the cloth. It is the nature of the trade that makes it an extremely difficult thing. There have been several efforts to work out some basis for a specific duty. I personally had to give it up. I heard some firms tried to work it out. Grey goods I think you can do fairly reasonably without much disturbance.

Q. Plain grey ?
A. Grey shirtings and grey drills. You can do that fairly well on weight.

Q. Weight and threads ?
A. You may bring threads in.

Q. You do not mean merely on weight, do you ?
A. I think so.

Q. Weight only ?
A. Yes ; weight only. If you get on to threads you are liable to be up against very considerable difficulty on the counts of cloth.

Mr. Subba Rao.—Mere weight, ignoring the sizing ?
A. I think that very heavy sizing which used to be done is dying out now-a-days. I think the consumer is going in more for cotton than for the clay he used to get.

President.—It should not be a drawback to assess on weight and so to penalise size.
A. They are all more for cotton than clay.

Mr. Subba Rao.—It makes a difference—the amount of sizing. Even in the American tariff there is the phrase " due to the excessive amount of sizing." That will be one difficulty.
A. My objection to basing duties on counts is that it will be open to just the same difficulties as in the case of the *ad valorem* duties.

President.—Not when you get your standard lines ? After a time you could classify practically everything and then disputes would cease ?
A. There are such an enormous number of varieties of cloth coming in. You cannot bring your cloth in under five or six categories. There are certain standards which are well known and we need not worry about them.

Q. The question is do you think a beginning should be made with plain grey goods ? I think it has got to come and the sooner the better. The question is in what light the importers would regard the demand that they should specify counts in bills of entry or in invoices.

A. You mean with regard to counts of yarns, say 32s or 40s and also threads per square inch ?

A. Yes. I do not think there will be any objection. You will find difficulty in getting a lot of manufacturers to tell you what counts the cloth is made of. They would not like to. If you are basing it on the counts of yarn, I think there will have to be a certain mount of latitude because you have 32s nominally and also threads per inch nominally but not always actually.

Q. The point is rather difficult. It is less difficult to get information for statistical purposes than for protective purposes ?

A. Yes.

Q. Would it be much more difficult as regards coloured goods ?

A. The heavier coloured goods would probably be let off lightly, I think.

A. *Mr. Cronopulo.*—It would not be as difficult as dhotis.

Q. Dhotis are the most difficult ?

A. Yes.

A. *Mr. Alker.*—I think printed and dyed goods would probably go in with variations of so much for colour.

Q. In the event of a recommendation that an increased *ad valorem* duty should be imposed on yarn by counts and on cloth by counts, would difficulties arise in regard to obtaining particulars ?

A. I think they would.

A. *Mr. Cronopulo.*—The manufacturer might refuse to give particulars.

A. *Mr. Alker.*—It would be difficult. Supposing you specify 30s and the manufacturer puts in 32s, by the time 32s is sized it is difficult to say whether it is 32s or 30s.

Q. Then the position would arise that you have to rely on a wide margin, which might mean that it might not hit the class of goods which you particularly wished to hit.

A. Yes. I mean to say that if one relied on the manufacturers' declarations it would always be open to abuse. One would regard the declarations suspiciously.

Raja Hari Kishan Kaul.—The specifications can be checked from time to time by the Customs authorities.

A. I think it is extremely difficult to check.

Q. Within a certain margin. For instance if you wanted to tax cloth up to 30s you might fix 32s as the limit and anything between 30s and 32s you can leave alone.

A. Yes ; it does not matter where you take it. If you put it at 34s I think it will be very hard to differentiate between cloth of 34s and 32s.

Q. It would not affect it at all. Our real object would be to tax only up to 30s.

A. Yes. I go further and say it will be extremely difficult with a heavily sized cloth to dissect that cloth and test that yarn to prove that it was not 30s. Once your yarn is sized and manufactured it is pretty difficult. It will lead to a lot of disputes.

Q. You think the difficulty would be insuperable or would it be possible to get over it ?

A. I cannot say that. It will lead to considerable arguments.

Q. The Bombay Millowners propose an import duty on yarn up to 40s. You say from 30s to 40s there is no import practically now from the United Kingdom ?

A. Not as yarn.

Q. What do you think of an increased import duty on yarn being put on yarn up to 40s ?

A. We do not admit that the Japanese have really captured the trade for good and all.

Q. At all events they have certain advantages.

A. They appear to have had certain advantages but we consider that with lower cotton prices Lancashire should again be able to compete with Japan.

Q. Would you favour that on the ground of leaving it open to the United Kingdom to compete again in those counts ?

A. Yes.

Q. Not on any argument that exists but on a possibility—not on any damage which will be done to the U. K. ?

A. No ; at the present moment there is practically nothing coming from the United Kingdom. We hope it is only temporary. There is another point. If you tax yarns

up to 40s it is quite likely that Japan would then concentrate on the yarns of higher counts which will have a lighter duty. They have made such strides in recent years that it is difficult to say what they might not do.

Q. You say "It follows therefore that any increase of duty must enhance the price of cotton goods, whether imported or produced in India, to the Indian consumer." Do you think the prices would rise to the extent of the enhancement of the duty or to the extent to which it will be profitable for the importers to place foreign goods on the market ?

A. We say that because at the present time neither the manufacturers nor the merchants are making any money at all.

Q. Some increase is bound to take place ?

A. The whole amount must be paid by the consumer, because the middlemen at the present moment are getting nothing. They have absolutely nothing to give away.

Q. You think that if equilibrium is to be restored, the prices must go up to the extent of the additional import duty ?

A. Yes.

Q. You said that the raising of the import duty to 11 per cent. did raise the price of cotton goods. We should like to have some facts and figures on that point. We tried to get some figures but they are not very convincing. Can you give us some figures ?

A. Of course, the immediate effect as you know under the Indian Tariff Act of 1894 (Section 10) when the duty was raised from 7½ to 11 per cent. was that the dealers, the buyers, had to pay the extra 3½ per cent.

Q. We want the prices.

A. You want the level of prices—whether the increase was permanent. I will see if I can get them. We have had such a fluctuating market for the raw material (cotton) in recent years. It is difficult to get a true index.

Mr. Subba Rao.—In answer to Question 104 you suggest a countervailing duty on certain conditions. You say "provided it can be proved that Japanese manufacturers are in receipt of bounties." You further say that Japan is gaining advantages from what may be called unfair labour conditions. Now what kind of proof do you suggest we should get ? As regards bounties, it is very difficult to get any facts. We know that the shipping companies get some sort of general subsidy from the State. That can be ascertained from published materials. But it is difficult to say that any subsidies are given to trade with any one country. The companies get a general subsidy and they are said to make low rates for goods going to India or for cotton going from India to Japan. Whether the low rates are the result of bounties it is not possible to ascertain. Would you accept that as proof that the cotton trade between Japan and India is subsidised by the State ?

A. I should say that that is equivalent to a bounty.

Q. Again as regards labour conditions, I suppose it is more or less axiomatic, unless you know to the contrary, that when machinery is working 16 to 18 hours the overhead charges must be reduced to a considerable extent on each parcel of goods when they are working double shift in Japan. That must be an advantage.

A. It must be, because your prime cost practically remains stationary.

Q. It may not be quite double output, but it is bound to increase in certain proportions and the overhead charge is distributed over a larger output. And when they also employ female labour during certain hours of the night against the provisions of the Washington Convention, that again is an advantage which India and other countries cannot have. Would you accept them as an indication of unfair conditions of labour ?

A. Yes.

Q. The only question then that arises is, how would you measure these things ? You accept that there is subsidy and there are unfair conditions of labour. You mean really your countervailing duty should be proportionate to the amount of unfair advantage they get ? It is a question of assessment. Are we not getting on to this position now ? Are you not practically asking us to act as a Tribunal under the British Safeguarding of Industries Act ? There also it is a question of assessing the measure of unfair competition as the result of subsidies and unfair conditions. If these can be proved then we must proceed to assess the value of advantage at a certain rate.

President.—I take it that the view of the gentlemen before us is rather different. It is that that is the utmost that you can give provided the other side can establish it. That represents the maximum that they would be prepared to concede. It is rather a different standpoint.

A. Yes.

Mr. Subba Rao.—If I understood your point, you would be in favour.....

A. We are opposing any alteration.

Q. I should like to get your reply. What is it you suggest ?

A. We suggest that if any change in tariff is necessary, it should be put so as to bring the Japanese on to the same level as Lancashire and India.

Q. In other words, you would like to put the home labour or the home producer on a position of equal advantage with people elsewhere, that is, discount any unfair advantage that obtains elsewhere. Is it not so ?

A. We contend that the home people are working on the same labour conditions as India.

Q. I am talking of India as the " home. " Your idea would be that if it is proved that in these respects production in India is handicapped and elsewhere they are having these unfair advantages, you are prepared to support any kind of duty that will make the competing advantages even ?

A. Yes.

Q. Therefore I am suggesting that in other words you are prepared to go as far as the provisions under the British Safeguarding of Industries Act, because there again they require the same conditions.

A. I am not well versed in that Act.

Q. One question to be answered is are the foreign goods competing under unfair conditions and these conditions are exchange depreciation, receipt of bounties subsidies, and unfair conditions of labour. You here mention two, and they are unfair conditions of labour and the receipt of subsidies and bounties. Therefore, would I be representing your views correctly if I say that you would have no objection to any kind of legislation or provision whereby we should, by levying countervailing duty, discount the unfair advantages of foreign producers in respect of bounties or conditions of labour that are not fair ?

A. Yes.

Q. If they are proved to be unfair, you would have no objection to legislation that would result in a countervailing duty ?

A. Yes ; in balancing it up. That is right.

Q. If you take it from me, that is the same as the provision under the British Act, then you have no objection, assuming that my comparison is correct ?

A. I heard you to include in your wording disadvantages in exchange.

Q. I mentioned that also.

A. I do not think we accept that.

Q. You may leave that on one side. I am not myself anxious about it.

A. As that was mentioned, I thought I must correct it.

Q. There are three conditions given in that Act. We leave out one. As regards the other two, you have no objection ? You are prepared to admit that as regards these two items there might be disadvantage to India ?

A. Yes. Our feeling is that it is better not to interfere with exchange.

Q. Yes ; as regards these two you admit the possibility of unfair competition and should that be proved, you would have no objection to any action which would eliminate that source of unfair competition ?

A. That's right.

A. *Mr. Kinloch.*—You would not call a man working four looms an unfair advantage ?

Q. No. Conditions like women being employed at night in contravention of the Washington Convention, are unfair.

A. *Mr. Alker.*—Yes.

Q. If there is unfairness you would accept any legislation which would remove the operation of that unfairness ?

A. Yes.

President.—There is another question I should like to put which is hardly relevant to your replies to our questionnaire. Can you tell us a little about the Managing Agency system here ? Various allegations have been made against it in Bombay and there are one or two points on which we would like to compare the Bombay system with your managing agency system here. One point is in regard to the managing agent's remuneration in the jute industry. Can you throw any light on that ? I take the jute industry as it is the next most important industry to cotton is therefore the most convenient

standard of comparison. The bulk of the mills in Bombay have a 10 per cent. remuneration on profits. Is the custon the same in the jute industry here ?

A. The terms vary considerably. There are some mills paying on profits and some on sales proceeds.

Q. That is the system in Ahmedabad.

A. It is a system in a certain number of mills here. I do not think there is any uniformity. I think probably the most common is a certain office allowance *plus* a share in the profits.

Q. That is practically the same as the Bombay system in the textile industry.

A. Is that the usual thing there ?

Q. Yes ; a share in the profits.

A. But there are certain agents who are paid on sales.

Q. And some on production, I suppose ?

A. I have never heard of any commission on production. Sales are practically production.

Q. The common system in Bombay was 3 pies per lb. on production.

A. I have never heard of any commission on production.

Q. I suppose Calcutta, speaking generally, has never considered the question of a change in the managing agency system. You would agree with Bombay that the system has grown up to suit Indian requirements and it is very difficult to see any possible alternative in present conditions ?

A. I think any alternative suggestion would be considerably more expensive and nothing like so efficient.

Q. Why do you think it will be more expensive ?

A. The Board of Directors, etc., will have to be full time.

Q. You want whole time Directors ?

A. Yes, to replace the present heads of the managing agency firms.

Q. And they would not be as efficient as managing agents ?

A. I do not know. I do not think they could be.

Raja Hari Kishan Kaul.—Have you any idea of what the rate of remuneration here is ?

A. No ; I could not tell you.

Q. Some people object saying that the remuneration given to the mill agents in Bombay is too high. We want to know whether in other trades also the same percentage is allowed.

A. I do not know. I am not connected personally with the jute mills.

President.—We want information about managing agents generally. We are not particular about the jute mills. What is the usual practice ? There are an enormous number of other industries in Calcutta ; take tea, for instance.

A. Usually in tea there is a small office allowance. Take our own. The usual terms are a minimum, so much where a garden is being laid out, and subsequent to that, 2½ per cent. on sale proceeds and 2½ per cent. on profits.

Q. How would 2½ per cent. on sales work out on profits ? Would it be more than 10 per cent. on profits ?

A. Some of the tea gardens at the present time are making cent per cent. on the turnover.

Q. It comes to this ; that the system of remuneration here of the managing agents is by no means uniform ?

A. I should say it is not uniform.

Q. You cannot really give any general idea ? The terms vary from company to company ?

A. Yes.

Raja Hari Kishan Kaul.—You don't think the Bombay system is too expensive ?

A. Ten per cent. on profits, and what office allowance ?

President.—Some get an office allowance of Rs. 1,000 to 2,000.

A. No ; I should not think it is very big. It is reasonable.

Mr. Subba Rao.—Could you tell us anything about the tenure of these managing agents ? Is it open to the shareholders at any time to terminate the agreement with them ?

A. No ; it is usual to fix the agreement for 20 to 30 years.

Q. And within that period it is only when a proof of dishonesty or other things come in that it can be terminated ?

A. Yes; I think dishonesty has to be proved. Otherwise it would be very hard in the majority of casess to terminate it.

Q. Is it common on this side for the agencies to run in the same family ?

President.—The same firm ?

Mr. Subba Rao.—That is different; because it could be taken up by other people. Do you get the heirs of the same persons staying in an agency ?

A. In certain cases you get the brothers. But I do not think you usually get the same family. The firm continues as managing agents.

President.—The point is that your big European managing agency firms have so many more partners than the managing agency firms in Bombay and were especially in Ahmedabad.

A. Exactly. Take a big firm. Take my own firm. We have got 15 partners of whom six are working in India.

Mr. Subba Rao.—Is there anything like a dominant partner ?

A. No; they deal as a body.

Q. So there is not the same scope here for one family to capture a managing agency and keep it going in the family as on the Bombay side ?

A. No; I do not think so. If they had, there is no reason why the family should not take the place of the firm.

Q. That is different. Suppose you take the names of the partners in a firm now and take 40 years ago. Would you find, for example, the father or uncle transmitting his partnership to his son or nephew ?

A. In certain firms it is common.

Q. But at the same time I take it that there will be so many other partners that any possible degeneration due to family succession will be avoided ?

A. In my particular firm as far as we are concerned there are no family members at all.

Q. No two relatives simultaneously ?

A. No.

Q. But you do not prohibit a son succeeding to the father ?

A. Oh, yes; we do prohibit this.

Q. How do you mean by prohibition ?

A. We cannot employ him, even a cousin or anyone like that.

Q. If one of the partners wanted to give up his interest, has he a right to foist upon you his son or nephew as might happen elsewhere ?

A. We do not do it in our firm.

Q. Elsewhere it is a sort of right.

A. There are certain firms here in which it happens but hardly to the same extent as you get in Bombay.

Q. It would be interesting to know the reason why you prohibit this.

A. It was the idea of the founder of the firm. They did not believe in having favourites round about them.

Q. They did not believe in the necessary transmission of ability from father to son ?

A. No.

Mr. Majmudar.—In Bombay generally the managing agents hold a very big portion of the shares. Is it the same here ?

A. That also varies, I think, from firm to firm. All managing agents have some considerable interest but some managing agents probably have a greater number of shares, a greater proportion of the share capital than the others. There is always the minimum laid down in the Articles of Association. They cannot go below that. Whether they own more or not is an entirely different question.

Q. Are the shares owned by the firm or by the members of the firm individually ?

A. By the firm, I should say usually.

Q. Not by the members of the firm ?

A. Sometimes by the members of the firm in their individual names.

Q. Would the managing agents be able to command a majority, in case any of the shareholders tried to create trouble ?

A. I do not know about that.

Q. In Bombay what happens is that as the agents hold a great number of shares, even if there was a provision for a change of the agency under certain circumstances, the shareholders are unable to do anything as the agents command a majority. Is that the position here also ?

A. I would not like to say. It may be in certain instances, but generally I should think not.

Q. Do the agents generally not hold a majority of the shares ?

A. I should think not.

President.—Does your Chamber of Commerce issue any statistics in regard to the price of piece goods ?

A. Yes, we do ; there is a monthly price current.

Q. Does that show anything but piece goods from the United Kingdom ?

A. It takes piece goods, general representative styles for price index. We revised it only last year. We take in, for instance, Japanese 40s. yarn as one index and we also took Japanese grey shirtings.

Q. It would be extremely interesting if you would let us have it.

A. Yes.

Q. If you could send it to us from 1921 it would be useful.

A. Yes. Mr. Freke went into it carefully and his office might be able to give it.

Witness No. 39

THE INDIAN CHAMBER OF COMMERCE, CALCUTTA

Written Statement dated 26th June 1926

The cotton textile industry in the province of Bengal, as also in some cases at least in Northern India, is hardly in a profit-earning position. It may be explained at the very outset that the position of the cotton mills to-day is not to any appreciable extent due to an increase in the cost of production in the recent years as in the case of so many other industries. While the manufacturing cost has remained fairly steady, the prices have been extremely depressed in recent years. The cause of the lower prices is attributable mostly to the serious competition which the local mills have had to face from Japanese goods. There is, besides, a competition between the output of the local mills and that of the Western Presidency in the Calcutta market, but such a competition as is in evidence at the present moment is only a part of the common competition which both the Bengal mills and the cotton textile industry of Western India have had to face with the imported manufactures.

2. The Committee do not wish to examine here at length the factors which have probably been operative in accentuating in recent years the competition of the Japanese goods with the Indian manufactures. The depreciation in Japanese exchange is doubtless the most outstanding phenomenon in this respect. At all events since October 1924 right up to the end of last year Japanese goods have been landed at the Indian ports at continually lower prices. The effect of such a price-cutting will be obvious from the single instance that the grey shirting produced by the local mills which used to be sold at Re. 1-7-0 per lb. in 1924 cannot realise to-day a price higher than Re. 1-1-0 per lb. The Committee deliberately choose grey shirting as an instance, for this is really the standard of prices adopted by most of the mills. With regard to grey shirting the actual Japanese stuff which competes with the local mill products is no doubt of a superior quality, but the market always allows a definite margin for the difference in quality and any cutting of Japanese prices has had to be met by the Indian producers by a corresponding lowering of their own prices; for instance 20s × 24s No. 91½ grey shirting of the Kesoram Cotton Mills compete with Japanese shirting and the market is not prepared to pay to the former a price which represents more than the recognised difference between the two. It would, therefore, be obvious that despite the difference in quality the competition is serious between the grey shirting produced by the Indian mills and those imported from Japan. In the matter of sheeting the competition is mostly between the goods of the same fineness, but even here the market is always prepared to maintain a certain difference between the Japanese and the locally made stuff. With a tendency of the Japanese prices falling the Indian mills are driven to cut their own prices.

3. It is necessary to state here the exact position of the mill industry in Bengal. From facts placed before the Committee by the mills, it appears that the cost of production (including the cost of raw materials at the present rate) in cases of mills employing a large number of looms is 15 annas per lb. but in the case of the smaller mills the cost is as high as Re. 1 or more per lb. The cost here quoted is for 20s × 24s shirting and the price realised per unit at the present moment is Re. 1-1-0. A profit of two annas is thus disclosed without taking into account any allowance for depreciation. As already remarked, this profit tends to narrow down to a very small figure in the case of the smaller mills, while the cost of production is naturally higher. Assuming, however, that on large scale working a profit of two annas per lb. may be realised, it would appear that it is not enough to meet the depreciation charges as well as to earn a reasonable profit of the undertaking. Adopting 3½ per cent. per annum as the rate of depreciation on the total outlay and a profit of 9 per cent. on the capital expenditure, it is necessary that the industry obtains a total return of 12½ per cent. if it is to continue in future under ordinary economic conditions. A margin of two annas per lb. in sale price over the ordinary cost does not, however, yield this calculated return. In the case of one mill whose figures have been placed before the Committee, the total capital is 80 lakhs of rupees with a productive capacity of cloth of 320,000 lbs. per month. In this case a margin of two annas per lb. yields the mills an aggregate profit of four lakhs of rupees annually, whereas the required amount calculated at 12½ per cent. to cover the depreciation and a reasonable return on the capital outlay works out at ten lakhs of rupees. In order to earn this additional sum of six lakhs a year or 50 thousand rupees a month, the mill needs to earn 16 per cent. more per unit of production than what it has been doing at present.

4. It can no doubt be argued that the instance cited above is an exceptional one, but the Committee of the Chamber are not prepared to acquiesce in such a view. It is indeed

a fact that in the case of the existing mills in this province, many of which were started during the post-war period of high prices, the capital expenditure has been a little too high, but in any examination of the position of these mills it is useless to base calculations on anything but actual facts. The mills were started during a period of high prices and they must be restored to a position in which they may earn a reasonable return on the outlay already incurred. The Committee, however, recognise that it will be equally instructive to follow up the hypothetical case of a mill of average size which may be started to-day. One such mill with 750 looms and 30 thousand spindles may be reasonably regarded to cost no less than 40 lakhs of rupees. The monthly poundage outturn of such a mill may be roughly regarded at 200,000 lbs. which may be calculated to yield an annual profit of three lakhs of rupees, but a 12½ per cent. return on 40 lakhs of rupees would require at least five lakhs of rupees, thus disclosing a deficit of two lakhs of rupees in profit and loss account. Thus it is obvious that even in the case of such a hypothetical mill it is necessary to realise an increase in the prices of its outturn by 8·5 per cent. over the present level of prices.

5. The general conclusion which the Committee arrive at is that an additional protective duty of 9 per cent. should be imposed on the imported cloth made of yarn up to the fineness of 34 counts. The Committee deliberately pitch the scale of duty at the low level of 9 per cent. even though they hold that for some mills, as already pointed out, it is impossible to earn a reasonable return on capital outlay except under the shelter of a far higher tariff. The principal reason which determines their decision in this respect is that the Japanese exchange will probably in near future recover further ground than what it has already done. Having regard to this possibility the scale of duty has been suggested with as light a burden as possible on the consumers.

6. The case hitherto examined is of the weaving side of the cotton textile mill. As the Board are doubtless aware, a large number of cotton mills in India carry on weaving and spinning side by side. In Bengal there are mills which exclusively address themselves to spinning. Competition of Japan is more serious in the case of local mill-made yarn than in the case of manufactured cloth. It is remarkable that a number of spinning mills in Bengal have partially closed down. While the textile mills earn some profit, however low, in manufacturing cloth, they sustain a clear loss in regard to spinning. To take for example the yarn 20s, which is very extensively produced by the mills, the manufacturing cost at the Bengal mills is 2 annas 9 pies per lb. and the mixing cost, after an allowance is made for wastage at the rate of 20 per cent., works out at 8 annas 9 pies per lb. The cost of production of yarn per lb. therefore aggregates to 11 annas 6 pies per lb. The superior quality of the Japanese yarn count for count induces the market to offer one anna per lb. less to Indian stuff in comparison with the Japanese. It would, therefore, appear that in order that the Indian yarn may be saleable without a loss the Japanese yarn must be sold at least at the rate of 12 annas 6 pies per lb., and if further provision is to be made, as it must be made, for a reasonable profit to be earned by the Indian producers, the cost price per lb. of Japanese stuff is 12 annas 3 pies per lb., according to which figure an additional duty of 13·7 per cent. is required to be imposed on imported yarn. Here also the Committee are prepared to make due allowances for the possibility of an improvement in the Japanese exchange and they would therefore content themselves with the suggestion of an additional duty of 12½ per cent. up to the fineness of 40 counts.

Witness No. 39

THE INDIAN CHAMBER OF COMMERCE, CALCUTTA

Oral Evidence of Messrs. D. P. Khaitan and B. K. Lahiri, recorded at Calcutta on the 1st October 1926

President.—Your Chamber is a new one formed during the last year or so.

A. *Mr. Khaitan.*—The Chamber is a new one, but it consists of members who are very old, *i.e.*, who have got old business.

Q. Yes. But the Chamber itself si quite new. When was it founded ?

A. In December 1925.

Q. How many members has it ?

A. One hundred and seventy-five.

Q. Was it not really founded as a break-off from the Bengal National Chamber of Commerce ?

A. Not exactly a break-off. There are 15 common members of the Indian Chamber and the Bengal National Chamber and it was considered that the Bengal National Chamber was not doing very active work and the Indian mercantile community needed an active chamber and therefore they established a better one.

Q. Out of 175, how many would be connected with the cotton industry as manufacturers ?

A. There are about 30 cotton mills represented.

Q. Are there 30 cotton mills in Bengal ?

A. Some of them are outside Bengal. Some are in Berar, some in the Punjab and some in the United Provinces.

Q. Can you let us have a list of the members of your Chamber who represent cotton mills ?

A. Yes ; I will send you the list.

Q. I was not aware that your cotton mill membership was so extensive.

A. I will send you the list.

Q. How many members are connected with the piece-goods trade ?

A. You mean imported piecegoods or Indian made piecegoods ?

Q. Both imported and manufactured in India.

A. I did not count up the members, but I believe apart from the cotton mills, there would be about 25 or 30 very respectable dealers in piecegoods.

Q. Imported or Indian ?

A. Both imported and Indian.

Q. How many in imported and how many in Indian ?

A. The gentlemen who deal in imported goods are very few—about five or six ; and the rest deal in Indian piecegoods.

Q. I presume that this statement put before us was prepared in Calcutta by your Committee.

A. Yes.

Q. Are you the only member directly connected with the cotton textile industry who is on that committee ?

A. There are others ; Mr. Lahiri is one.

Q. Which is your mill, Mr. Lahiri ?

A. *Mr. Lahiri.*—The Bengal Laxmi.

Q. The point I wish to ascertain is whether any of your upcountry members who are connected with cotton mills were consulted before the statement was framed.

A. *Mr. Khaitan.*—The gentlemen who are connected with upcountry mills are not on the Committee which has prepared this statement and it was not placed before the General Meeting.

Q. It merely represents, as far as the textile industry is concerned, the views of the Calcutta members ?

A. Yes.

Q. You say that the position of the cotton mills to-day is not to any appreciable extent due to increase in the cost of production.

A. We mean since 1921. We do not refer to the pre-war period at all.

Q. But there was a very large increase in the cost of production previous to 1921, was there not?

A. Yes; that was previous to 1921. But since 1921, there has been no increase in the cost of production.

Q. Is it not the increase in the cost of production previous to 1921 which is placing the industry in such a difficult position to-day? The point I wish to put before you is this. In a boom period, profits as you know go up and there are large increases in wages in consequence and there are also increases in other directions; and when the boom period is over it is very difficult to get costs back to anything like their old level, and may it not be the fact that the continuance of wages and other costs at their old level is making it very difficult for the cotton industry now?

A. You are quite right when you say that. In Bengal the wages were increased by only 50 per cent. The wages in cotton mills have to follow the line in jute mills, because there are very few cotton mills and a large number of jute mills. The jute mills increased their wages by 50 per cent. during the war. That is the only increase in wages here, but it is not possible to reduce that now.

Q. Quite so. Hence it is hardly correct to say that the position of the cotton industry today is not due to any increase in the cost of production.

A. I do not know if you are forgetting the fact that we are making this statement only with reference to 1921-26. We do not refer to the earlier period.

Q. Yes, but don't you want to go back a little further than 1921 when you are talking of this depression?

A. We do not object to that; but I am only explaining to you the circumstances under which this statement was made.

Q. You say the manufacturing costs have been kept steady. Can you give us a statement of your wages? Have you and Mr. Lahiri received the cost of production statements that the Board has sent out?

A. As regards wages, it will be the same in both mills. So far as the increase is concerned, you can take it as 50 to 60 per cent.

Q. For 1924?

A. Yes.

Q. You have gone up 50 per cent.?

A. Yes.

Q. The Bombay people will tell you that you are extremely lucky.

A. It may be, because in 1914 the wages were higher here than in Bombay.

Q. Can you let us have the present rates and if possible, what they were in 1914?

A. In the answer printed here we say that in the spinning department the average for a male is Rs. 20 and of a female Rs. 15. This is on the 10 hour basis. Formerly they were getting Rs. 12 or Rs. 13 for 11 hours and they are now getting Rs. 20 for 10 hours. In the weaving department, the average wage of a male is Rs. 40 and of a female Rs. 22. In the dyeing and bleaching department, the average wage of a male is Rs. 20 and no woman is employed. In other miscellaneous departments, no women are employed and the average wage of a male is Rs. 20.

Q. Have you sent us that statement?

A. It was got ready only yesterday. I will send you a copy later on.

A. *Mr. Lahiri.*—I thought I would not be able to be present here at all. Accidentally I was in Calcutta and so I came here. I will send you the statement later on.

Q. Are you a member of the Bombay Millowners' Association?

A. Yes.

Q. And you, Mr. Khaitan?

Mr. Khaitan.—Yes; but our mills are in Delhi.

Q. What were the wages in 1914?

A. The weavers' wage before 1914 was Rs. 25 on the 11 hours basis. It is now Rs. 40 for 10 hours.

Q. For female workers is it in the same proportion?

A. It is 50 to 60 per cent. increase.

Q. If the Bombay millowners were paying wages on your scale, they would be in a much better position than they are. How is it you are also in a state of depression?

A. We have got other difficulties to contend with. The Bombay mills have got cotton at their door, whereas we have got to stock our cotton and we have to pay interest. Then with regard to stores also, we have got to keep large stocks. In the Calcutta markets

cotton mill stores are not available. Then as regards labour, we have got to keep a larger number of spare hands than the Bombay mills have got to do; because here there are only a few cotton mills and if the men are absent then we cannot get spare hands at once as in Bombay.

Q. The Bombay percentage of absenteeism is very high. What is your percentage here?

A. 15 to 20 per cent. We have got spare hands to that extent. Then we have got to pay higher railway freight on cotton.

Q. You mentioned that already. That is due to your getting cotton from further away?

A. Yes.

Q. You say your absenteeism is 15 to 20 per cent.?

A. Yes.

Q. I think we had better go first through the general questions and then we will ask you a few more general questions about labour conditions.

A. *Mr. Lahiri.*—Labour here is hardly as efficient as in Ahmedabad or Bombay. We cannot change it as we want.

Q. Is cotton labour as efficient as jute labour?

A. For the finer work they are not at all efficient.

A. *Mr. Khaitan.*—With regard to jute labour, there are many jute mills and there is a large number of labourers from whom they can choose. But in the case of cotton mills they cannot do that.

Q. Is it your view that the depression is going to be permanent?

A. To a large extent. The exchange factor, I fear, is going to be permanent.

Q. Why should it be permanent, Mr. Khaitan? As you probably know, the economists hold that these matters, the level of prices and costs generally, are bound to adjust themselves to the rate of exchange after a longer or shorter interval.

A. I do not know what the economists say. I find a most amazing statement in the Currency Commission Report that the prices have adjusted themselves to the rate of 1*s.* 6*d.* whereas anybody who knows about Indian conditions knows that the prices have not adjusted themselves. We know for certain that the wages which have increased will never go down. Exchange does affect that condition and if exchange stabilises at 1*s.* 6*d.*, instead of 1*s.* 4*d.*, that factor is going to be permanent.

Q. Why should wages never go down?

A. You remember the case of Bombay. Simply because they wanted to reduce the wages, there was a strike which lasted for many days. Here if we try to reduce, there will be a strike.

Q. But your wages have gone up in the correct ratio. The cost of living has gone up 50 per cent. and your wages have gone up 50 per cent. and therefore there is no case in Calcutta, as far as you are concerned, for any reduction of wages. Your labour costs have already adjusted themselves to the additional cost of living.

A. I do not see why you say that.

Q. Because the cost of living is betwen 150 and 160 according to the index figures and your wages have gone up to 150.

A. What I mean is, taking it at 100 in 1914 there is a certain amount of wages paid to the labourer. Since then it has been increased by 50 per cent. When living here was at 150 as you say, exchange was even less than 1*s.* 4*d.* gold. I am referring to gold now. Now the exchange is going to be stabilised at 1*s.* 6*d.* gold and we have to pay the same rate of wages in rupees. The result is that automatically the workmen get 12½ per cent. more than their real wages. I do not know if I have made myself clear. Now the Bombay conditions in these matters are not exactly similar to Calcutta conditions. There the cost of living is more and here the cost of living is less. But so far as the mills here concerned, there is an automatic increase in real wages by 12½ per cent. on account of exchange alone. Then the working hours have been reduced from 11 to 10.

Q. That is a different point.

A. They also affect the wages. We have got to pay them. Therefore the cost of production per unit is increased. Thirdly in the case of cotton, it is always very loosely stated that simply because the exchange goes up from 1*s.* 4*d.* to 1*s.* 6*d.* the cost of cotton will be reduced by 12½ per cent. But this is ultimately when matters adjust themselves.

Q. I thought matters did not adjust themselves, according to your view.

A. The prices have not adjusted themselves, I say.

Q. You say that the disadvantage will remain permanent. However, go on.

A. The cultivators themselves will have to pay the Government revenue in terms of rupees which is fixed. The wages they have got to pay in rupees. They have to pay interest to the mahajan in terms of rupees.

Q. The Government revenue is not fixed.

A. At least in Bengal it is fixed in terms of rupees.

Q. The Government revenue has always been fixed in terms of rupees and exchange has never made any difference. In any case, Government revenue in Bengal is so entirely out of proportion to the Government revenue from the land elsewhere that it is not a consideration of any importance in Bengal.

A. Perhaps you are thinking of the Zamindars.

Q. Yes.

A. I am thinking of the cultivator.

Q. You spoke of the Government revenue. The Government revenue is paid by the Zamindar.

A. I mean the rent payable to the superior landlord.

Q. That is a different matter.

A. The rent paid to the Zamindar is increased.

Q. It can be decreased.

A. Many things can be done in the world.

Q. There is a provision in the Revenue Act which permits of its being decreased as well as increased.

A. But our experience has been that it has always been increased.

A. *Mr. Lahiri.*—The tendeucy of the Act has been towards an automatic increase.

Q. It is not an automatic increase any more than it is an automatic decrease. The case has to be established.

A. *Mr. Khaitan.*—But our experience is that it has always been increased but never decreased. The ryot has to pay that increased rent in terms of rupees. We have to take all that into account in ascertaining his expenses in producing a certain amount of cotton, which resists the lowering of the rates of cotton by 12½ per cent. exchange. Therefore, although it may be said that by reason of the higher exchange the cotton mills will have to pay 12½ per cent. less how far it will be effected in practice I have very great doubts. The Bombay cotton dealers think that the difference will disappear, but my own view is that that difference is come to exist because of the expenses that the cultivators have got to incur. Otherwise the cultivators' purchasing power will be reduced to such a large extent that that in itself will become a permanent factor in the depression of the cotton mill industry. The cultivators consist of more than 80 per cent. of the population and if their buying power is considerably reduced then that will become a permanent factor in itself.

Mr. Subba Rao.—Your point about exchange is this, that the expenditrue remains stationary while the income becomes less? Or, do you make a point of the fact that the workers get more for their money? That cannot be to you a matter of any special hardship. Your concern must be with what you pay and what you get?

A. The two things are connected with each other.

Q. You are more directly concerned with the price you realise and with your expenditure on production. So that you are concerned with the money value of your output and wages in money terms.....

A. When you say 'money', I would rather use the word 'rupee' because the use of the word 'money' might mislead.

Q. Therefore you suggest that wages are too high to be borne by the industry on the rupee price you are realising for cotton?

A. Quite so.

Q. Now, in support of that could you give us, apart from the earnings of the people, any information about rates, because I do not think it is enough to say that the earnings of a weaver have risen from Rs. 25 to Rs. 40, because it is quite conceivable that he might have given you a larger output because the weaver I take it here also is on piece work basis?

A. Yes; the weaver only.

Q. I have taken the weaver just now.

A. When I give you the average it includes all the operatives of the weaving departments.

Q. How many of them are on time wage ?
A. In the weaving department I am told they are all piece-workers.

Q. Therefore, if you are paying a higher wage by 60 per cent. as compared with 1914, it does not necessarily mean that you are paying very much more for the same output as before ?
A. But their wages have been increased by 50 to 60 per cent. in rupees.

Q. These are earnings per month. I want the rates.
A. *Mr. Lahiri.*—It can only be by an increase in rate for piecework.

Q. But the increase in rate cannot be so great as increase in earnings. You might give 10 to 15 per cent. increase and he may give a larger output.
A. Unfortunately the experience is that the average production is less per loom.

Q. But we have been told that in the weaving department in spite of the reduction in hours the reduction in output has not been the same ?
A. Here at any rate it has been practically.

Q. It is not so elsewhere. It is not commensurate with the reduction in hours from 11 to 10 ?
A. It has happened in many cases. I know in the mofussil where there is not the same amount of supervision people are working longer hours.

A. *Mr. Khaitan.*—If the weavers are paid according to the different counts of weft, 8 counts to 9 counts weft, we pay them 5 pice *plus* 50 per cent. That is the increase. 10 counts to 11 counts it is 6 pice per pound *plus* 50 per cent., 12 to 17 counts, 6½ pice *plus* 50 per cent., 18 to 20, 7 pice *plus* 50 per cent.

Q. It is 50 per cent., whereas the increase in the amount earned is 60 per cent. ? There is some difference ? You contend that although prices might have fallen by the change of the rate from 1*s.* 4*d.* to 1*s.* 6*d.* along with a rise in exchange, you have got already or you will get in course of time a corresponding reduction in price of things and services.
A. In fact my own impression is that the fall in price is more than 12½ per cent. I will tell you the reason why. The tendency is to decrease prices by 12½ per cent. but in a falling market when the prices fall they do not appreciate it as simply on account of exchange. But they find a fall in the market, and then they begin to sell and then they begin to increase the losses. Therefore they are more sellers than they are buyers. Sellers become more and more and they lose all credit on account of the loss and therefore they are not able to get as much as they could otherwise have done when they were making profits, and in this way the market goes falling and the effect is more than 12½ per cent. I may give this instance. In July grey shirtings were Re. 1-1-0 per pound; to-day it is difficult to find a buyer at even 15 annas a pound. We have stated that in our statement in the second paragraph.

President.—That is rather an interesting point, Mr. Khaitan, because here you attribute low prices to Japanese competition, but now you are giving an entirely different reason for that ?
A. I am not excluding that.

Q. But you are giving a different reason ?
A. Giving one reason does not exclude the other.

Q. We have to determine which is the most important reason.
A. The most important reason is Japanese competition and the exchange.

Q. I wish to know which is the more important—the exchange or the Japanese competition ?
A. I should say both.

Q. Both are equally important ?
A. Yes.

Mr. Subba Rao.—So, your contention is that prices have not fallen commensurate with the change in exchange. To that extent you are a loser as a producer. Prices have been falling all round. At least those things you buy also must have fallen in prices ?
A. As regards cotton I do not think it falls to that extent.

Q. We cannot say that for every item.
A. Wages have not fallen.

Q. Yes, it is difficult to find out the actual facts about wages unless you go into a full survey of it, but the suggestion has been made that the apparent lag in wages may be due to one or the other of these causes. In the first place, wages in 1914 may have been

too low and therefore the rise from that level may appear abnormal, but it is necessary in the interests of labour. Secondly, it is said that wages have been rising right through all these years even before 1914, though not very largely, at least till 1921. It is admitted, I think, by Sir Victor Sassoon and others. Since 1921 there has been no rise. Therefore there would have been a rise in wages but for the change in exchange. The continuous rise in wages has been held in check by the alteration in the exchange rate.

A. It is not that wages would rise every year. Your first point was that it is quite possible that wages in 1914 were too low. I do not know about the conditions in Bombay, but so far as conditions in Calcutta are concerned, the wages here are fixed on the basis of the jute mill wages. Certainly it was a flourishing industry and the wages were not too low. There are lakhs of people working on those wages in the jute mills and there is no reason whatsoever even to doubt that the wages might have been too low.

Q. I cannot speak for 1914. I have not the figures here. If you look at Mr. Datta's report you find he holds that wages in cotton and other mills had not risen in proportion to the rise in prices.

A. He could not be referring to cotton mills in Bengal because the wages in cotton mills in Bengal have to follow the wages in jute mils.

Q. As regards Bengal you are right. It shows a rise. In Bombay they fell from 100 to 98. I find he excludes Bengal.

A. I cannot speak of Bombay conditions.

Q. There is great trouble about this index number. You cannot take for India as a whole one index number. In your case it shows a rise, but for the whole of India in general wages were very low in 1914, and since 1921 the rise that ought to have taken place has been held in abeyance.

A. I do not see why there should have been any increase in wages since 1923. Prices have been falling all round.

Q. They began to fall after October 1923.

A. You mean that every month after 1923 there should be a decrease ?

Q. It is a tendency for wages to be gradually rising unless prices are falling.

A. Quite so. As the prices of other commodities go on rising the wages should go on rising.

Q. But since prices have not risen—probably the rise has been very small, or a fall.....

A. Probably a fall. It is not the 12½ per cent. only but it is much more.

Q. I am not speaking of the nervous panic. But taking the exchange factor only.....

A. You have got these figures before you. In October 1924 a certain cloth was selling at Re. 1-7-0 and to-day it is 15 annas.

Q. You said people lose credit and therefore prices tumble down ?

A. That is only one of the factors. But there has been the Japanese competition and there has been the exchange. All these circumstances have combined.

Q. I am merely suggesting that, so far as exchange is concerned, there could not be a fall of 12½ per cent., and therefore any possible rise in wages on account of a rise in prices has now been held in check because prices have been falling.

A. At the same time wages have not fallen.

Q. They have not. My suggestion is that they would have risen and that rise has been held in check.

A. Perhaps I am not understanding you. When prices rise and are maintained at a certain level for some time and the industry in which the workers work make profits, all these circumstances must combine in order to produce an increase in wages. Now if prices are not rising but falling, if anything, there is a justification for wages falling. But what has been found is that although prices have fallen immensely, wages have not fallen.

Q. You say "immensely." What is the proportion ?

A. In October 1924 the price was Re. 1-7-0 for grey-shirting, and to-day it is 15 annas.

Q. There has been also a fall in other commodities ?

A. In other commodities prices have not fallen to that extent. We shall again be going into the dangers of index numbers. When you mention that the cost of living is to-day 153 or somewhere near that or that wages have only gone up 50 per cent., that shows that there is no justification for the lowering of wages due to exchange. I say that the index figure is not a reliable guide on which you can work. The fact about which there could be no doubt is that although prices have fallen considerably wages have not fallen and

therefore, whatever may be the basis of decision of other Boards, so far as the Tariff Board appointed to enquire into the conditions of the cotton industry is concerned what it should see is whether on account of these factors the position of cotton mills has become such that they cannot go on without further protection, and if the Tariff Board thinks that the cotton mill industry is of sufficient importance to the country, the maintenance or continuance of which is desirable in the interests of the country, then you should recommend further protection.

Q. I did not doubt all that. The only thing is that you have not shown that no economy is possible except in the direction of a cut in wages. You hold the costs are stationary while your prices are falling. It has got to be shown that it is not possible to lower the cost—it may be by increased production, by distributing overheads over a larger output, but I am merely trying to work out the relation between exchange and wages. You hold that, because exchange has risen from 1*s.* 4*d.* to 1*s.* 6*d.*, there ought to be a corresponding reduction in wages also. I was merely suggesting to you that wages need not fall if the other hypotheses put forward are correct—they might have been too low in 1914. As regards Bengal it is very probable that it was not so. Going by the authority of this report it looks as though it was not so low in Bengal. But the point is whether there has been a progressive increase ?

A. There could not have been a progressive rise. Firstly, the industry that pays must be making profits. If these conditions exist, then there should be an increase.

Q. You mean the industry was not in a progressive condition and could not pay higher wages ?

A. And labour could not demand higher wages. Unless the industry makes a profit they would not demand an increase in wages.

Q. The conditions have been such that even the workers have realised that you are going on a falling market, or.....

A. They would not allow us to decrease their wages.

Q. Therefore you feel the effect of the 1*s.* 6*d.* rate has not been fully realised ?

A. It will never be realised as regards wages.

Q. Now, if labourers will become more efficient and give you.....

A. As regards efficiency, now that you are talking of efficiency, we cannot work for more than ten hours and even then, and even if you work by double shift there is the difficulty about the employment of women and children. Therefore we cannot have a system of double shift.

President.—How much is your proportion of women ?

A. It is not a question of proportion. In the drying frames, it is women who work. No man works there. If any man goes to work there he is taunted by the other saying "it is women's work." In winding and warping it is women that work. In some branches of spinning it is only women that work.

Mr. Subba Rao.—It is not that they cannot get labourers. They won't be allowed to work ?

A. The difficulty arises in this way. If we pay more wages to men to work in the drying frames the result is that men in the other departments also ask for more wages, and even in the day sift they would require more wages. Therefore the cost of production per unit will increase much more, and double shift working would not be profitable at all.

A. *Mr. Lahiri.*—Coming to manual labour, the difficulty is the Bengalis have not taken to the textile industry at all, so that we have to indent labour from other provinces. It is mostly non-Bengali labour.

President.—Where do you get it from ?

A. Jubbulpur, Central Provinces and Ganjam.

Mr. Subba Rao.—From Bihar side ?

A. No. Then we have to bring them and settle them. They are strangers here altogether. Then when they work they divide the work in this manner. The female also earns by working in the mills. If one branch is disturbed, the whole mill might be disturbed. So, we are not quite free agents there.

President.—If the efficiency of Indian labour is so hopeless as you and other witnesses before us have made out, do you think it is really worthwhile going on with Indian industries ? Isn't it better to recognise that fact and leave India to export her raw materials, if there is no prospect of making the Indian labourer more efficient ?

A. *Mr. Khaitan.*—I will be the first to protest very strongly against that. Industries are required in India. Unless there are industries, as the Indian Fiscal Commission themselves have pointed out, there would not be a sufficient amount of wealth for even the encouragement of agriculture. And then there is the unemployment. If I go

outside and speak like that I would be beheaded. There is so much unemployment that they cannot take to agriculture. We cannot find work for them. It is only by increasing industries in the province that we can find work for them. So far as agriculture is concerned, if you read the report of the Director of Agriculture as regards jute this year, all the land that could come under jute cultivation has been got in. The acreage under jute cultivation cannot be increased. If you take the middle class people on land for cultivation, you automatically dislocate some of the other people.

Q. I fully admit the force of your argument, but my point is this that if you can only maintain Indian industries by a policy of high protection which is practically what your argument comes to. because the rate of wages is un-economical in proportion to the production, there is no justification for maintaining them.

A. We should have protection. We should build up industries and as industries are built up the money remains here and the country becomes prosperous.

Mr. Subba Rao.—In spite of the inefficiency of labour ?

A. Yes, that question of the inefficiency of labour must be recognised as a fact, that India has got to meet this difficulty. Whatever arrangements have got to be made should be made in order that industries may prosper here. It would be no answer to say that the industries might go to the wall.

Mr. Subba Rao.—On your own hypothesis. Nobody says that India should not be industrial. But on your own hypothesis that conclusion follows automatically.

A. If at any time the efficiency o flabour is increased then that will be a good time to do away with protection, but at the present moment we find that labour is inefficient as compared with labour of other countries.

Q. And it will remain inefficient ?

A. Yes.

Raja Hari Kishan Kaul.—For all time or for some time ?

A. I am not talking for all time. There was a time when India was the best of all the countries of the world. India did more industrial work. India exported cloth, Dacca muslins and other cloth which were famous throughout the world. Now a time has come when Indian labour is supposed to be inefficient, or is in fact inefficient as compared with labour of other countries. As education develops and physical culture develops and people become more energetic and industrious, perhaps the efficiency of labour will be improved and that will be the time when no protection perhaps will be necessary.

Mr. Subba Rao.—When do you take it that that time will come ?

A. I cannot venture upon an opinion.

President.—It comes to this that you really advocate your 9 per cent. increase in duty on general grounds ?

A. When we recommended 9 per cent. in our committee there were people of all shades of opinion. But I personally and Mr. Lahiri,—I think he would agree with me,—would ask for more ; but this 9 per cent. was recommended taking into account both the producers' and the consumers' interests—the lowest amount that should be given in order to keep the industry alive.

Q. *President.*—I am not quite clear how you work out your 8·5 per cent. I cannot quite follow the calculation.

A. This is on a hypothetical basis of a new mill being constructed. The new mill would cost 40 lakhs of rupees and 3½ per cent. depreciation is allowed on the total outlay. Five per cent. is for machinery and 2½ per cent. on buildings and 3½ per cent. altogether and 9 per cent. is considered to be a reasonable yield having regard to the uncertainties. That means 12½ per cent. altogether ; and it means 5 lakhs of rupees per year. At that time when we were calculatingthis was the figure. Of course the conditions now have become much worse within the two months. At that time it could have made a profit of 3 lakhs of rupees a year and a deficit of 2 lakhs would have to be found. That 2 lakhs has got to be on the outturn of the goods. The outturn was found to be 2 lakhs lbs. per month which means 24 lakhs lbs. Thus we have worked out the percentage.

Q. I see. I take it you would agree that if you put an additional 8 to 9 per cent. it will increase prices ?

A. We think that an increase of 8 to 9 per cent. of import duty will not increase the prices by 8 or 9 per cent.

Q. It will increase prices by how much ?

A. It will depend upon the conditions at any particular time.

Q. You say 9 per cent. is the minimum that you want to enable you to make 5 lakhs of rupees profits. But unless you get the actual 9 per cent., how are you going to get your 5 lakhs profit ?

A. My personal belief is that by imposing another 9 per cent., it will not give us 9 per cent. increase in rates. It will be less. I quite agree with you there. But our Committee had also taken into account the consumers' interests and they were afraid of so many things and they said they would not recommend more than 9 per cent. That is the least they could recommend. They felt that this is the lowest that could be done.

Q. And you are proposing this 9 per cent. on all imports ?

A. Our committee recommends up to 34s counts.

Q. How would the restriction to 34s help you ?

A. It is because usually the warp used in the Japanese goods is about 30s.

Q. But the weft ?

A. We thought that no kind of yarn used in a cloth should be less than 34 counts and if it be less than 34 counts any yarn, whether warp or weft, should carry the additional duty of 9 per cent. That was the idea.

Q. We know that a very large proportion of the Japanese imports are of counts 30s to 40s. If you draw the line at 34s, it will be very easy for the Japanese to substitute 35s for 33s and whether you will be better off if you had that than you are now is the question.

A. You are quite right. Of course they can increase and therefore you can increase the number of counts.

Q. You have suggested 34s.

A. Yes. We are not opposed to make it more than 34s.

Q. I do not see how 34s will help you. It seems to me that it will not affect Japanese competition to any appreciable extent.

A. I will say one thing quite frankly. What our Committee felt on this question was this. They felt that if cotton industry must exist, something should be done. The Tariff Board has been appointed—that is what they felt—more to make a show than to give real protection and therefore we should not frighten them by exactly making the demands that we want. That is what they felt.

Q. We have no instructions of any kind, I can assure you.

A. But how can you prevent public opinion ? That is the general opinion, that the Tariff Board was appointed as the Currency Commission was appointed with definite ideas.

Q. I can assure you we have no instructions of any kind.

A. When the Currency Commission was appointed, they said that the Report was already written and everybody predicted the Report and that happened to be the actual Report in the end.

Q. As I have already said, I can assure you that we have no instructions of any kind, or any indication of any sort of the lines on which our Report should be framed.

A. When you ask me why we recommend 34s and all that, I say that is the reason.

Q. My point is 34s will, in all probability, not help India's position substantially.

A. It would be some help although we like to have it on firmer ground ; because the Bengal Chamber has said that it will hit Lancashire. That is what is felt, that so long as a thing hits Lancashire, nothing will be done to India.

Q. The Indian Tariff Board has to look to Indian interests and not to any other interests.

A. We thought, let us have something instead of nothing.

Mr. Lahiri.—The difficulty is, supposing it is due to better yarn or new machinery—some increased production. At once there comes the demand for increase of rates. They are quite shrewd enough to see that there is increase of production, whatever it may be due to. They ascribe it to the efficiency on the part of the operatives. I think that if the industry exists and if it exists sufficiently long we will have improved efficiency.

Mr. Subba Rao.—How old is the industry in Bengal ?

A. Fifty years. The oldest spinning mill was the Bowreah Mill. That was the oldest mill.

Q. I think it was started in the eighties ?

A. Yes. The Bengal Laxmi Mill was started in 1894.

Q. Mr. Khaitan told us it was 1886.

A. *Mr. Khaitan.*—Yes.

Q. You have had 40 years for labour efficiency.

A. *Mr. Lahiri.*—The labour is constantly shifting. So far as the labour is concerned, during the 12 years I have been connected with the Bengal Laxmi Mill I have tried to engage Bengalis.

President.—I was going to ask you about this 34s, Mr. Khaitan. If you have this increased duty on yarns and cloth made up of 34s counts, won't the argument be that you are hitting the poorer classes as compared with those better off? What is the answer to that?

A. *Mr Khaitan.*—I do not see how that question would arise. As I have stated, we do not insist on this 34s. We would rather have an all round duty. The reason why we mentioned it, I have explained to you. Now arguing theoretically on the question you have addressed, if the duty be increased up to 34s, there will always be a certain proportion in the rates of goods between cloth produced from yarn above 34s and the cloth produced of yarn below 34s. Therefore any increase of duty in respect of cloth above 34s counts will also tend to keep down the price of cloth made up of counts less than 34s.

Q. Still it will have more effect naturally on the cloth on which you impose the duty? Should it not?

A. Yes.

Q. Therefore, you would, to that extent, be placing a heavier burden on the people who use those counts?

A. But it is those very people who will be benefited by the continuance of the industry. It is the poorer people who are largely employed in working the mills who will get the benefit.

Q. The mill population is very small compared with the total population of India.

A. Yes; but if they are all let out of work? Suppose three lakhs of people work in a certain kind of industry. It supports a large number and they are drawn out from the classes that live on the land. They spend some money on commodities and send some money to their families. If they do not make any income the result will be that they will be thrown back on the land and the result will be that the land will have to bear a much larger population.

Q. I take it you are not arguing that, unless this 9 per cent. duty is imposed, the whole of the cotton textile industry is going to disappear?

A. So far as the Indian control is concerned, it will very much disappear. But whether the mills themselves will disappear or not will be a matter for future consideration. But already the Indian managing agents are finding it very hard to continue the industry.

Q. There has been no substitution so far, except in one case in Bombay.

A. There is no substitution so far. But I will give you an example. There is a certain mill somewhere near about this place. That has spent about 40 or 50 lakhs of rupees already. They wanted to get some more money in order to build the mill. They have 15,000 spindles and about 200 looms and they wanted to increase them. But at present they cannot get any money. Now if they cannot get money, the result will be that they have to give it to somebody else.

Q. You consider that protection would put an end to the trade depression?

A. It would not put an end to the trade depression. But trade depression also includes the cost of raw material and everything else and if there is a margin of profit, there will be no difficulty in the managing agents getting money for their concerns; but so long as a concern loses, it cannot get money and it is difficult even to get working capital. The money-lenders will become more careful and they become very shy.

Q. That brings us to another point you raise here. You refer to a mill which was started during the post-war period at high prices and you say it must be restored to a position in which it can earn a reasonable return on the expenditure already incurred. Do you really consider that a mill which was started at the boom time should be placed in that position—that the general taxpayer should pay for the mills that are losing?

A. Our feeling is that the argument about the general taxpayer such as is generally made does not, in fact, exist. Any industry, in order to prosper, has to make money. If it is found that the industry is losing, it becomes a handicap on the further expansion of the industry.

Q. I am not referring to the general question. I am referring to this specific point of these mills which started during a period of high prices.

A. That is part of the general question. Now these cotton mills have been started even in boom times. Now if they do not make profits, the result is that the people think that cotton mills do not make profit. There are some mills, of course, who have got a small capital, having been started before 1914. But there are also mills which have been started during the war and after the war, especially after the war. If these mills do not make profits, there will be a general impression that cotton mills do not make profits and therefore people who would lend money would be diffident of doing so and it will be a set back to the further progress of the industry. These facts have also got to be recognised, that the shareholders are anxious, having put in their money; and they should be allowed to get some reasonable return for the money they have put in, which is not only a selfish but also a national concern.

Q. I am hardly convinced by your argument that the Government should by protection come to the rescue of the people who make mistakes.

A. I do not see why you call it a mistake. It is really in boom times that people put in the largest amount of money. In India we have not got investment syndicates as in England or America through which people invest their money. In India you can get people who could invest on shares in boom times. It is only in boom times that industries can be increased and new industries set up. Therefore we say it is so and it is not a thing which you should absolutely ignore. That is only one of the reasons that we have stated, not the only reason.

Q. The next question is about the Japanese exchange and you say that the Japanese exchange would probably improve in the near future. How can it improve further?

A. Since then it has improved. This was written two months ago.

Q. There was not much scope for improvement then. There is still less now. How can it further improve?

A. Now it has come near to 1*s.* 6*d.* gold.

Q. 2*s.* ½*d.* gold.

A. It comes to the same thing.

Q. There is no scope for further improvement.

A. Now there is not much scope.

Raja Hari Kishan Kaul.—I understand that by depression you mean that there has been a very considerable decrease in the earning capacity of the mills?

A. Yes. The half year that ended yesterday will show practically no profit and in the next half year that has commenced to-day, I think even the weaving mills will lose.

Q. You mean that during the past few years, that is from 1923 onwards, there has been a continuous decline in the profits?

A. Yes.

Q. Only you now come to a time where no profits are made?

A. Not only no profits, but at present even the spinning mills have been losing and even the weaving mills will be losing.

Q. Is that condition general in regard to the Bengal mills or are there some mills which are making reasonable profits irrespective of the depression?

A. That condition is general; in the half year which commenced to-day they are making no profits.

Q. That is talking of the future; but how about the past half year?

A. The next six months is not a far off period. Because the mills have already got uncleared stocks of about 3½ months, out of which about three months' production is unsold, so that production has already been made and there is very little chance of the prices rising and it will have to be sold at the present market prices. But we cannot get buyers and a man must be very bold to say that in the next half year any profit will be made.

Q. Any way it is safer to talk on the experience of the past half year. You think that during the past half year, the general condition of the Bengal mills has been that their profits have been practically nil?

A. Yes.

Q. And you think that the spinning mills have been distinctly losing?

A. Yes.

Q. How is it that some of the spinning mills in Bengal have partially closed down? Could you give us some instances?

A. The Bowreah Mill—only one-third of it is working; half of the Dunbar Mill is closed.

President.—Dunbar Mills? The Managing Agents of these mills to which you refer have not put forward any application for protection.

A. They import more piecegoods than they manufacture in these mills.

Raja Hari Kishan Kaul.—They combine piecegoods trade with production?

A. They import piecegoods and they manage these mills; and the shares are held by the Indians.

Q. Are there any spinning mills which have been closed down?

A. The Jagodia Cotton Mills have closed down.

Q. The company is not connected with the import of cloth?

A. No; not connected with the import of cloth. It is purely Indian.

Q. Any other mill? I want to know whether the closing is at all general.

A. So far as our mill is concerned, the Kesoram Cotton Mill, if there had not been the weaving department, we would have closed down. Similarly the Bengal Laxmi Cotton Mills, if there had been no weaving department and if they had to depend on spinning, I believe they too would have closed down.

Q. You have given the cost of production of 20s yarn as 0-11-6 per pound.

A. Yes.

Q. And you say Japanese yarn could sell at 0-12-3 per lb.

A. Yes, in order that there may be no loss.

Q. What is the selling price of Japanese 20s yarn in Calcutta now?

A. In July the rate was Rs. 3-13-0 per 5 lbs.

Q. That is slightly over 12 annas. That is quite all right.

A. Japanese yarn is superior in quality and Indian yarn is sold at one anna less per lb. Therefore the Indian yarn is losing.

Q. Indian yarn was selling at 11 annas in July.

A. At that time it was 11 annas. Now it is 10 annas per lb.

Q. It was selling at 11 annas against the cost price of 11 annas 6 pies?

A. Yes.

Q. And that is the reason why yarn production is not paying at all?

A. Yes. At present the cost price is 11 annas 6 pies and the market rate is 10 annas. The Japanese yarn also has come down.

Q. Can you tell us the varieties in which there is serious Japanese competition with local mills?

A. The competition ultimately goes to every count.

Q. I am talking of piecegoods.

A. In piecegoods, in shirtings, sheetings and recently in dhotis you will find that Japan has made a great inroad, especially in grey bordered dhotis.

Q. I have seen the figures. Can you tell us what counts these dhotis are made of?

A. Usually 30s to 40s.

Q. The imported ones?

A. Yes. Even 20s counts dhoties have been coming, 20s to 40s.

Q. We were told yesterday that the majority were ofounts below 20s.

A. They are so rapidly changing. Now Japanese khadi has been imported.

Q. Can you give us an idea as to whether a large proportion of them are of counts under 30s or between 30s and 40s?

A. Mostly they are 30s and 40s and now they are coming down to 20s.

Q. It is possible they may increase that line?

A. Yes. The figures are simply appalling. In 1920-21 the imports were 610,000 yards for one year. Now in one month they are 3,108,000 yards. It means at least six times increase.

A. *Mr. Lahiri.*—They are gradually invading our market in coarser goods.

Q. Is it not a fact that they started by introducing coarser cloth first and then they went on to finer counts?

A. And now they are going back to coarser counts.

Q. Is that the tendency ?
A. *Mr. Khaitan.*—Yes.

Q. And these Japanese striped shirtings which are very much talked of, what counts are they made of ?
A. Now they are making on coarser counts. Formerly most of their shirtings were from 30s to 40s. Now some shirtings have been sent on 20s also.

President.—Can you send us some samples of that ?
A. Yes. I shall try.

Raja Hari Kishan Kaul.—It is only here that we have heard of that.
A. They are plain and not striped.

Q. We were told that striped shirtings above 30s were being imported. They are now making shirtings below 30s also ?
A. But whether they make below 30s or not, the point I want to make before you is this. The competition with Japan is irrespective of the counts. Suppose they even make 30s and not even below 30s. Now if Japan sends goods to India on 30s and we make goods on 20s, the market recognises a certain difference between the rates of these two things. Now whenever Japan sends out goods and sells them at a certain rate, we cannot sell goods unless we sell them at so many annas less than the Japanese rates. Therefore it is neither the quantity nor the quality which is the only consideration. Whatever the quantity or the quality may be, so long as they quote a certain rate we have got to follow them and we have got to reduce our rates accordingly.

Q. Do I understand you to mean that your rates are settled entirely by the Japanese rates ?
A. It is very difficult to say it is entirely so. There will be that circumstance.

Q. Say mostly or largely ?
A. Largely, yes.

Q. Whether they are importing the same varieties of cloth or not, they settle the prices and you have to sell your cloth at prices relative to those which they set for their types ?
A. Quite so.

A. *Mr Lahiri.*—Just as in the case of imported goods from Lancashire. If they go down we go down. If they go up we go up.

Q. Is that due to the fact that theirs are supposed to be the standard varieties principally liked by the people and that in your manufactures you have to work up to these standards ?
A. *Mr. Khaitan.*—Both may be treated as standards. If the price of one standard falls, the price of the other standard must also fall.

Q. Why should not your cloth be the standard and why should not the prices you fix settle the prices of the Japanese goods ?
A. Prices, like water, find a lower level and whenever the price of anything goes down the price of the other must go down. If by any circumstance the price of Indian cloth goes down, the price of Japanese cloth has to go down, and if the price of Japanese cloth goes down, the price of Indian cloth has also to go down.

Q. Why should not the Indian cloth be the standard from which you take the relative prices ?
A. That is because we have found that whenever we tried to sell the cloth we have been told that the price of Japanese cloth has come down and therefore we must also reduce our prices.

Q. It means that the customer is looking to the Japanese imported cloth as the cloth which he really wants to buy.
A. Unless we also reduce our prices.

Q. He is looking principally to the price of Japanese cloth as the standard price. It means that that is the popular variety.
A. That is a better cloth. There may be no doubt about it.

Q. If you made your cloth equally popular, probably you could also do the same.

A. Under the Indian conditions, we cannot make it. They make 30s and 40s and we have got to use cotton, such as Punjab American. Therefore we have got to confine ourselves to 20s. If we want to go to 30s warp, there is only a small quantity, 285 quality as it is called in the Punjab, some of the Nausari cotton and like that and we cannot spin 30s warp out of the other cotton.

Q. Have you not got cotton in India from which you can spin up to 30s and 34s? Then how do you ask for protection up to 34s?

A. Because Japan cloth is generally of 30s counts and that cloth competes with us It serves to reduce our prices and therefore if the price of that cloth is increased, our price would not be decreased so much.

Q. You would not be producing the same type. Because you are not spinning those counts.

A. It does not matter. If Japan is able to send cloth woven out of 30s yarn and if their prices reduce our prices, even if we make our cloth of 20s warp, that price will have to be increased.

Q. As a matter of fact a certain amount of 30s and 40s yarn is being spun in India.

A. Yes; only a small amount.

Q. About 19 millions lb.

A. But that is sold for handlooms. You cannot use that yarn for power looms.

Q. Not necessarily. That is being used in some of the mills.

A. But what happens is, if you spin 30s counts yarn to be used as warp in a power loom factory that yarn has got to be more tested before you can use it. But yarn of lower test can be sold in the market to be used by handlooms. Handlooms have not got to undergo the different processes through which the yarn has to pass in a power factory and therefore yarn of a lower test can be sold in the market for handloom purposes though the same yarn cannot be used in a power factory to be woven into cloth.

Q. You mean for your production of warp of 30s counts, you cannot produce yarn locally? It weakens your argument for protection up to 34s.

A. I do not see how it does.

Q. If you want to spin yarn of 34s counts, you want to import cotton.

A. We want to spin yarn and the tendency is for the Indian mills to go to higher counts of yarn and we have imported some cotton even from Africa in order that we can make 28s and 30s warp. But the larger quantity of cloth is with 20s warp. Now even if the Indian mills did not spin yarn of 30s or over for being woven into cloth, even then for cloth woven out of 20s yarn there is necessity for protection against Japanese competition; and if you could give us protection against Japanese competition, then we have got to set before ourselves to make the standard cloth which is sent by Japan to India.

Q. Whether you have anything corresponding to it here or not, is the point.

A. Yes. As I have explained to you, if Japan sends out cloth to India at a certain rate, we must rate our cloth at so many annas less per pound if we want to sell it. Otherwise our cloth will not be touched.

A. *Mr. Lahiri.*—May I just answer one point? Since Japan has commenced buying cotton largely from India in recent years, she has found that this cotton will be suitable for coarser piecegoods and therefore the tendency, as I read it with practical experience, and from the publications, has been to take Indian cotton more and more and then to make it into coarser counts and then come into competition with Indian mills more closely. With regard to the finer counts, as you are well aware, the cotton suitable for counts 20s and upwards—if all the Indian mills use that cotton, there will not be a surplus at all.

Q. You think that tendency of Japan will continue?

A. My belief is that it will continue. Japan wants to fight two things—competition with Lancashire and competition with Indian manufactured goods.

Q. She cannot compete with Lancashire if she goes to coarser counts.

A. Competition with Lancashire has not yet launched itself seriously.

President.—Does not Lancashire send anything to this country from 30s to 40s?

A. It does but it is comparatively small.

Q. We have been told that there is a very appreciable quantity of goods of counts between 30s and 40s coming in from Lancashire.

A. That is also increasing; just like the Japanese inroads into coarser counts. Lancashire inroads into coarser counts have been increasing just to compete with the coarser things manufactured in this country, as you will notice from the coarser cotton taken to Lancashire. Of course the Central Cotton Committee is trying to do its best for the purpose of increasing the staple of cotton. But you will find this tendency in both the countries. So far as the Indian manufactured goods are concerned, they are of coarser counts and there was at one time—a few years back—practically no competition between Lancashire goods and Indian goods.

Q. We have not got any figures so far to establish this theory that both Lancashire and Japan are going more and more to coarser counts. You say that the Japanese are going below 30s and the United Kingdom mills are going to 40s and 30s recently ?

A. So far as Japan is concerned it is appreciable. But so far as Lancashire is concerned the tendency is in that way.

Q. There has been a certain amount of imports from Lancashire of counts 30s and 40s. Whether that has increased or not, there are no figures to show.

A. It is very difficult to say. But I think the tide has turned and it will take a few years to complete.

A. *Mr. Khaitan.*—About the Japanese freight, I will give you one example. If you want to bring cotton from Bombay to Calcutta you have got to pay 14 annas per maund, whereas from Bombay to Japan they pay only 8 annas per maund. Similarly, in the case of cloth. Our mills inland are charged a large amount of railway freight. But when Japanese goods come from Japan to India they have got a very small amount of freight to pay.

Q. That is all due to their organisation. Their Association obtains special freights.

A. Whether it is due to the Association or to Government action, the result upon the Indian industry is the same.

Q. Yes. It does not handicap the Japanese.

A. It helps the Japanese ; the freight paid on their goods is much less than the freight on the Indian goods.

Q. It is not less. The freight payable on cotton going to Japan and on cotton goods coming back from Japan to India is not less in most cases than the freight from the manufacturing centres to the markets or from the cotton producing centres to the manufacturing centres. For instance, you would buy your cotton within 200 or 300 miles ?

A. No. We have to get cotton either from the Punjab or from South India.

Q. What does it cost you ?

A. It costs us Rs. 3-12-0 per maund from the Punjab here.

Q. Won't you get it by sea from Tinnevelly ?

A. Yes. From there we bring cotton to Madras by rail and from Madras to Calcutta by steamer.

Q. Can't you get cotton from Tinnevelly direct by steamer ?

A. We do not buy the Tinnevelly cotton. This is nearer.

Q. You may take my advice and buy some of it.

A. *Mr. Lahiri.*—I have tried it.

A. *Mr. Khaitan.*—We have to buy the cotton required by our mills.

Q. I think you would get your cloth out of Tinnevelly cotton all right.

A. The prices are higher.

Q. That will be far more than made up by the difference in freight. Better qualities result in less waste.

A. When we buy cotton we take all that into account—the question of waste and other things, what the production of yarn and cloth will be. We take everything into account. We cannot afford to forget a single factor.

Mr. Majmudar.—Have you got the production figures before the 10 hour day and after the 10 hour day ? I want to compare them.

A. I have no figures here. Generally our experience is from changing from 10 hours to 11 hours a day, the production is not increased by 10 per cent. Still there may be an increase of 7 to 8 per cent.

Q. In weaving ?

A. In both spinning and weaving.

Q. You do not find any difference in the efficiency of labour within the last ten years ? Take for example, the jobber group. Do you find that the jobbers to-day are more competent than the jobbers ten years back ?

A. Not very much change ; but there is some change. But there are very few who stick for ten years.

Q. Do you sell all your products locally ?

A. Yes.

Q. Do you find Japanese competition in grey cloth and striped shirtings ?

A. Yes ; also in dhoties now and in yarn.

Q. You do not find it in dyed cloth ?

A. As regards dyed cloth, I would point this out to you. It may be said that there is no competition between the Japanese dyed cloth and our dyed cloth ; but what happens is that the prices of these commodities have a certain relation to each other. If the price of grey cloth is reduced, the price of dyed cloth would also be reduced. It may be for a certain time most of the fall may not be in the same proportion. But ultimately it tends to go back to the same proportion.

Q. Do you find dyed cloth more paying ?

A. At present, plain grey cloth is not at all paying. Only if there is demand for a certain kind of dyed cloth, then it is paying. But what happens is that as soon as a certain kind of dyed cloth becomes paying then the other mills also begin to produce it. So that is to be left off and another design has got to be adopted, and if a man is to go on changing from one design to another in order to get that effect, it ends not exactly in a glut but a large quantity of a certain kind in the market and the price goes down.

Q. I believe you are referring to the Indian mill products ?

A. Yes.

Q. So besides the Japanese competition, there is the internal competition of the Indian mills also ?

A. Yes.

Q. Which do you feel more, the internal competition or the Japanese competition ?

A. All of us feel the Japanese competition. So far as the internal competition is concerned nobody objects to it, there is internal competition. It is for the benefit of the consumer. Then the industry progresses. That is for the benefit of the country. But to the extent that the competition from Japan is felt, I do not consider that it is for the benefit of the country.

Q. Can it not be that Japan reduces the prices as the Indian mills are reducing theirs ?

A. We have found the position to be the other way.

Q. Have you got any definite instances to prove that ?

A. We have not got the exact data now. But you can take it from me, we have tried to sell our goods at reasonable prices and we have always been met by the question that Japan has reduced the prices. Suddenly comes a telegram from Bombay that Bombay has reduced so much on account of the Japanese competition. Therefore we have to reduce. There is first the Japanese reduction. You cannot keep a record of all these. It is an experience which one gains from day to day and this has been our invariable experience.

Q. You say Japanese yarn is superior in quality and therefore it commands a better price.

A. Yes.

Q. Superior in what way ?

A. Better colour and perhaps stronger. In the market they are prepared to pay one anna per pound more for Japanese yarn than for the Indian yarn. There is the Madura mill that commands almost the same price as the Japanese yarn because there they get Cambodia cotton at their door.

President.—They sell their yarn here at the same price as the Japanese yarn ?

A. Almost the same. If we get that cotton here, the cost of mixing will go up.

Mr. Majmudar.—But you will get a higher price for the yarn.

A. Having regard to the railway freight and other factors we do not find it more profitable.

Q. The Madura Mills have to pay freight on their yarn.

A. They send here a very small quantity—the exportable surplus. Madura also is suffering. They send here only a small quantity.

Q. Is the Japanese reeling better than the Indian ?

A. What do you mean by reeling ?

Q. I want to know whether there is a complaint that Indian mills are reeling short.

A. So far as the Kesoram Mills are concerned, they give the exact reeling or the exact amount. In Calcutta my experience of that is in the Bengal market they take the correct reeling. In the Punjab and the United Provinces the buyers take a smaller number of yards, which means that instead of 20s you give them 18s counts.

Q. Do the merchants like that?

A. In our Delhi mills we try to give the exact counts. But then we find that the buyers were not satisfied. So instead of 10 counts we have to give them 9. But that difference is made up in prices. It is not on account of the better reeling that Japan commands a higher price.

Q. You mentioned that the Japanese take more of Indian cotton?

A. Yes, Mr. Lahiri mentioned that.

Mr. Lahiri.—I said that Lancashire is taking more of Indian cotton and the Japanese also. I said during the last ten years the Japanese batches of Indian cotton have considerably increased.

Q. But if you look to the table in the Bombay Millowners' Association's statement you will find that in 1914 Japan consumed 1,374,672 bales of Indian cotton; in 1915, 1,398,301 bales; in 1924, 1,407,838 bales; whereas if you look to the consumption of American cotton, it is going up; in 1914 it was 340,797 bales, in 1915, 418,073 bales and in 1924, 564,390 bales. The consumption of Indian cotton in Japan is not increasing to the same extent as of American cotton. Japan is consuming more and more of American cotton than Indian cotton.

A. From 1918 it will not be so, except during the last two years. During the last two or three years my impression is that the Japanese consumption of Indian cotton is increasing.

Q. The figures for 1918 and 1919 are abnormal figures. We have to compare the figures for 1914 or 1915 because these were the normal times.

A. What happens is this. There is always the parity of prices. What Japan does is first they come to the Indian market and buy the things cheap. But if the prices go up and if the parity is better elsewhere, they go to the American market.

Q. That only means that the Japanese are able to regulate their purchases better.

A. *Mr. Khaitan.*—That is the general impression by perusing the figures of 1918-19, where it has gone up from 9 lakhs to 16 lakhs bales, and that general impression is correct.

A. *Mr. Lahiri.*—Last year American prices went down.

Q. *Mr. Majmudar.*—If you look to the table 'Japan's Cotton Yarn Production' you will find that the coarse yarn production is not going up whereas the medium counts production is going up and also fine yarn production is going up. In 1913 they produced 1,212,000 bales, in 1914, 1,350,000, in 1915, 1,360,000, in 1916, 1,458,000, of coarse yarn. If you take medium counts from 1,49,000 in 1914 they have gone up 4,99,000.

A. That is about 20s count.

Q. Coarse means up to 20s?

A. Below 20s. The whole trouble is about 20s.

Q. Does this not show that the Japanese are going more on to the medium yarn than the coarse yarn and therefore they would not be purchasing more of Indian cotton?

A. *Mr. Khaitan.*—If I may intervene, I do not see what point can be made there. If Japan sends 30s counts, even then we feel the competition quite all right. It does not make any difference as to whether Japan sends goods of 20s or 30s counts. The difference of prices being always observed, whether Japan sends 30s or under we feel the competition equally strongly. For competition it is not necessary that you should send the same kind of goods.

Raja Hari Kishan Kaul—The ideal thing for your purpose would be to put a protective duty on all imports from Japan.

A. On all outside imports. That would be the ideal thing.

Q. You say Japanese imports are the cause of prices having to be cut, and for that purpose you justify an import duty. The Bombay millowners tried to justify it on two grounds—exchange and double shift work. The exchange handicap of course no longer exists.

A. It exists to the extent of 12½ per cent. Formerly it was more.

Q. There is no particular advantage for Japan?

A. No.

Q. So it is now gone. On the basis of *1s. 6d.* if you want any protection you want it against all countries?

A. Let me make it clear. We do want it against all countries. If we cannot get it against all countries let us have it at least against Japan.

Q. Against Japan on the ground of double shift? The Bombay millowners have only urged a scheme for protection to the extent of 5 per cent. on account of double shift and employment of female labour at night and 8 per cent. on account of depreciated exchange—total 13 per cent. Out of that the exchange portion has been practically wiped out.

A. But the exchange portion does exist.

Q. Not in favour of Japan alone?

A. Not Japan alone.

Q. Japan is on the same footing as any other country? So that the special advantage of Japan to the extent of 8 per cent. as shown by the Bombay millowners is gone?

A. Our recommendation is up to 34s counts.

Q. You urge that the Japanese prices make you sell your cloth cheaper?

A. Yes, but when they see Japanese reduction of prices the market also takes into account the reduction in prices of other goods—Lancashire goods also.

Q. They are selling at a higher price? They do not begin by cutting the price?

A. But their prices are also cut.

Q. They have to cut their prices because you bring down yours and the Japanese bring down theirs.

A. Suppose I want to sell goods to-day. A telegram comes from Lancashire giving a lower fall in prices. Then at once the buyers here mention that Lancashire cablegram shows a reduction in price, and therefore the price here also must be reduced.

Q. That is bound to happen when price cutting starts. You do not bring that as an argument for preventing a particular country from being able to sell its goods at a low price.

A. If the condition of our cotton mill industry requires that, I do not see any reason why it should not be done. If you think that the Indian mill industry should exist in India for the good of the country and if there are certain circumstances by reason of which the cotton mill industry cannot exist, then it is desirable to bring in the operation of those forces which would enable it to live.

Q. You can claim protection only on the basis of unfair competition. In the case of Japan these two things were urged.

A. I would go more than that. In this case we have also the unfair competition to meet. But even if there were no unfair competition and if a national industry wanted protection in order to exist, I would submit to you with all the force I can command that you should give that protection whether there is unfair competition or not.

Q. On what principles? Certain principles have been laid down by the Fiscal Commission. Do you want to suggest any new principles for judging whether you need protection or not?

A. On the principle that if a certain industry is good for the nation and if it cannot exist without some protection, then that protection should be given. The protection may be withdrawn afterwards, but in order to enable it to exist that protection is needed. It comes within the recommendations.

President.—That certainly does not. I am sorry to contradict, but you cannot certainly bring it within the four corners of the Fiscal Commission's report. I am afraid you are speaking without your book there.

A. Yes, I am speaking without my book. Well, I would go even beyond the proposals of the Fiscal Commission. I would bring myself within the minority report of the Fiscal Commission.

Mr. Majmudar.—You say that you had to maintain heavy stocks; did the mills make losses due to the fall in price of cotton?

A. That is not so, because in fact since the time when we purchased the cotton and before the time to which we are referring that condition has not been so.

Q. You mean that though the price of cotton has been falling, you have not been obliged to write off cotton values?

A. It is only quite recently that the price of forward cotton has come down, since the last report of the American bureau. The price of ready cotton is much higher still.

Q. I am referring to the last two years when the mills made losses.

A. At that time so far as we are concerned we had very little stock. We were living from hand to mouth.

Q. You say that we should see as to whether the mill industry is able to pull on or not. There are so many places where mills are situated and there are varieties of mills—some

earning, some not earning and some making losses. Which are to be taken as the standard ?

A. You should take the general average as the standard. There may be some mills which are very fortunately situated on account of certain circumstances by reason of which they can make profits. But then you cannot take them as the standard. They are very fortunately situated. The best standard to take according to my opinion would be to take a hypothetical case. If a new mill is going to be started to-day what will be the cost of production and what will be the price at which its product can be sold, and then find out whether it will yield a profit, and under those circumstances what amount of protection would be necessary.

Q. How are wages to be calculated ?

A. Wages would be common in all.

Q. But there would be a difference in wages at the various centres. Mills situated in districts have to pay lower wages. Moreover in the case of some mills, *e.g.*, Madura Mills, they are able to get cotton cheap. Such mills are at an advantage. Should we therefore not take such mills into account ?

A. I do not see why you should. You should take facts as they are. Most of the mills are in Bombay and Ahmedabad. You cannot let them go to the wall.

Q. Even if that means that the cost of cloth in India may remain permanently high ?

A. To the extent that the rate has increased on account of the import duty. Otherwise if there is a general fall in the price in spite of the import duty there will be a fall in price in India too. It is not that you maintain the same rate, but the question is proportionate rates. By the import duty you only comparatively increase prices, but if there is a fall elsewhere there would be a fall here also in spite of the import duty.

Q. Would it be wrong if a centre like Madura is taken as the standard ?

A. Madura cannot be taken.

Q. I am only mentioning it as an instance of a mill centre where there is ample supply of labour and also ample supply of cotton.

A. That would be against the facts in India. In India you find that most of the mills are in Bombay and Ahmedabad.

Q. That was formerly so, but it is not so now ?

A. Even now if I remember rightly the percentage of looms and spindles in Bombay is very high—46 per cent. of the spindles are in Bombay Island—just less than half. And then Ahmedabad ?

Mr. Subba Rao.—Why do you lump up Ahmedabad and Bombay ?

A. I am not lumping up, but as Mr. Majmudar was saying about Madura which can get its cotton near its door I am saying that the fact in India is that a large number of mills are concentrated in Bombay and Ahmedabad. I am only replying to that argument. I am not denying that conditions of the two places are different.

Q. You see the number of mills in Bombay is dwindling. If you look at the Bombay Millowners' statement you will find that in 1910 the number of mills in Bombay was 89 and in 1925 it was 82.

A. That shows how the wind is blowing. The mills have not gone out of existence I believe. They must have been closed down on account of losses. A few have been amalgamated. I know of one case in which two mills were amalgamated into one—the Birla mills, Ramdas mills and Indo-China mills.

Q. In any case there is no extension there.

A. There cannot be extension at this time.

Q. But there has been extension in the mofussil. If you see Table II in 1914 it was 271 mills in the whole of India, in 1925 it was 337—an increase of 66.

A. You find that most of the increase was in the year 1923, which means that the orders had been placed in the years 1919, 1920 or at the latest 1921.

Q. Even then the new mills were in the mofussil and not in Bombay ?

A. Yes, in the mofussil. The machinery had been ordered and therefore when the machinery came they had to be erected. It does not show that mofussil mills are really making much more profits.

Q. Then you should not object to taking mofussil mills as the standard.

A. You should not take the Madura mills.

Q. I do not say that Madura mills only should be taken as the standard upcountry mills.

A. What about the Calcutta mills ? The Calcutta mills are quite as bad as Bombay mills. You cannot forget the Calcutta mills.

Q. It is not a question of forgetting. The point is about keeping the industry in existence. The industry can be in existence whether the mills are situated in Bombay, Calcutta or in the mofussil.

A. But you cannot shift the mills from Bombay to the interior assuming that the conditions in the mofussil are better than in Bombay. You may find that in some places but not everywhere.

Q. In America they had to shift from the north to the south.

A. I do not know what conditions exist there, or at that particular time existed there, but I really fear that in the case of India it will not be possible for the mills to be shifted from Bombay to the interior assuming that the conditions in the interior are every way better. If there is a mill at a certain place and if it is working at a profit, if you increase the number by one or two there the present conditions that exist there would disappear.

Q. I do not follow.

A. Suppose at one of the places in the interior there is one mill and it is making profits because of some good conditions prevailing there. Now if you shift to that place two or three mills from Bombay, then the conditions obtaining there at the present moment would disappear.

Q. You mean that unless there is a good distribution of mills throughout the country the mills would not earn profits ?

A. I do not mean that exactly. That is a point which I have been submitting to the Railway Department for a long time. We have been submitting to them that as recommended in the Industrial Commission's report they should give facilities to mills in the hinterland in order that they may prosper, but they have always resisted such contention and they have not done it. Now if you shift more mills to the interior, the result will be that where you have any good conditions those conditions will disappear. There are also certain advantages in having a number of mills located at one place, for example, as regards the purchase of stores, as regards the cotton market and as regards labour.

President.—Labour ?

A. What I say is, you have perhaps in mind Bombay where the cost of living is very high. My point is that if in a certain place there are 20 mills then you do not have to keep very much spare labour as you will otherwise have to do. You can get labour easily and you won't have to keep so much spare labour. In Bombay of course the cost of living is higher and therefore the wages may be more.

Q. One or two questions I want to ask you about internal economies, so to speak, Mr. Khaitan. What remuneration do you get as managing agent for your mill ?

A. In Kesoram cotton mills it is one per cent. of the gross sale proceeds.

A. *Mr. Lahiri.*—I am the managing director. I get a fixed remuneration and a commission on a sliding scale on net profits.

Q. Yours is the first case we have met in India in which there is a managing director. You are the only managing director of a cotton mill in India we have so far met ? Who are your directors ?

A. Mr. Chakrabarti is the Chairman of the Board.

Q. How long has this system been in vogue ?

A. In the beginning we had the managing agency system.

Q. Why was it abandoned ?

A. In our case there was hardly the question of financing the mills.

Q. How was that ?

A. We had reserves and we had other facilities.

Q. Do you mean that your directors were not in a position to finance the mills ?

A. Practically the arrangement was with the bank. In some cases we were also helped by the Imperial Bank.

Q. What bank was financing you ?

A. Practically the Imperial Bank. Also, there was another bank started in 1918, about the same time, more or less for the purpose of financing this particular mill. No European bank at that time would finance this business.

Q. Yours is an exceptional case then ?

A. It is exceptional in a way, but there it is and we have managed in this way from 1914.

Q. How does this system work as regards cost ? Have you ever worked out as to what your management costs are as compared with the managing agency system ? Which is cheaper ?

A. I have not quite compared, but in this case it was considered that it was a national concern, having been started by the Bengalis during the anti-partition agitation days—the Swadeshi days.

Q. What is the date of your mill ?

A. From August 1906.

Q. You make a special appeal to the Bengal market ?

A. We do to a certain extent, but it is the durability of the cloth more than the sense of patriotism that has paid us. After all at this time there is not much of patriotism left,—I mean patriotism in the sense of simply buying this—and prices fixed were a little favourable. It is the one mill owned by the Bengalis. There is a considerable demand for our articles but the basis of it is I think because of its durability. It has a reputation for durability.

Q. How has the mill paid ? Is it paying a dividend at the moment ?

A. Yes, 10 per cent.

Mr. Subba Rao.—All through ?

A. Yes. But that does not mean that it is making a profit.

Q. Are the shares quoted on the stock exchange, or is it a private company ?

A. They are quoted on the stock exchange. It is 110 now.

Q. For a hundred rupee share ?

A. Yes.

Raja Hari Kishan Kaul.—You pay dividend out of your profits and not out of equalisation fund ?

A. Yes.

Q. You are making profits ?

A. After paying depreciation we are making profits. The capital is only 17 lakhs.

Q. And reserve ?

A. The reserve is about the same.

President.—You are paying a dividend out of profits. You are not trenching on your reserve to pay dividend ?

A. No, we have not done so yet. Hereafter it is another matter.

A. *Mr. Khaitan.*—In the case of this mill, the very name makes the people buy. Mr. Chakrabarti is President of the Board and he is also President of the Responsivist party in Bengal. The Bengal Laxmi mill commands great love from the Bengali people and for that they get a higher price. We cannot get that.

A. *Mr. Lahiri.*—I do not quite agree to that.

A. *Mr. Khaitan.*—They get one anna per pound more for their goods simply because of the patriotism.

Mr. Subba Rao.—The Kesoram cotton mill has nearly 80 thousand spindles ?

A. We have 78 thousand spindles. 76 thousand spindles are working.

Q. I find your capital is 80 lakhs. And the Bowreah cotton mills have 88 thousand spindles, of which 60 thousand spindles are working, and they have a capital of 80 lakhs. There is a big gap between the capital ?

A. The Kesoram cotton mills were formed in 1919.

President.—The mill was sold at the height of the boom ?

A. That is so.

Mr. Subba Rao.—The cotton industry has been working off and on for the last 40 years, but the total amount of capital invested is hardly in proportion. You yourself say labour is inefficient and you have to bring your raw material all the way from the south or elsewhere. Don't you think therefore that, broadly speaking, you are badly placed for the cotton industry here ?

A. I do not see that. In fact the market is here. We are nearer the coal fields.

Q. That is one advantage. But in respect of raw material ?

A. In respect of raw material we are worse situated than the Bombay mills.

Q. And in respect of labour, you yourself say that labour has been inefficient, that no progress has been made in the last 40 years ?

A. Some progress has been made.

Q. I merely want to clinch Mr. Majmudar's point, that it is hardly worth while attempting by protection or otherwise to spread the industry all over the country.

A. I do not believe that you can spread an industry all over the country. I myself do not think it is a good policy. It is better to concentrate industries at some centres,....

Mr. Subba Rao.—So far as the country is concerned is there any likelihood of the industry thriving here?

A. Yes. If they make a profit, the industry will thrive.

Q. But the question is, can you make a profit?

A. We can.

Q In view of your difficulties here?

A. Yes, if we are given protection.

Q. You want the money to be taken from somebody? Were you making profits in the pre-boom period? What was the position before 1917? Would you send us some balance sheets of any of these mills to show their position in 1917?

A. They were paying dividends.

Q. For such of them as existed before the boom period, could you send us the balance sheets?

A. If you write to them they will send you. They do not send us the balance sheets. They are not members of our Chamber. From my experience I can say they used to pay dividends.

Q. You cannot give information about other mills?

A. No.

Q. You are asking for protection and you contend that Bengal is a good centre. Have you any information to support your contention?

President.—Mr. Subba Rao's point is whether there were cotton mills in a specially flourishing condition in Bengal in pre-war time?

A. The Bowreah mill was paying dividend; and the Bengal Luxmi cotton mill also was making profits.

Mr. Subba Rao.—Generally speaking all the mills you are speaking of were making profits?

A. Yes.

Q. And that is the reason for saying that Bengal is a good centre for the cotton industry?

A. Yes.

A. *Mr. Lahiri.*—And there is the further fact that even after the boom period, in this market we could compete with other goods which were brought from other parts of India.

Q. You produce mostly dhoties and shirtings in Bengal?

A. *Mr. Khaitan.*—Yes.

Q. Therefore your competition is limited just to these two ranges?

A. Yes.

A. *Mr. Lahiri.*—With regard to dhoties which forms the bulk of my mill, we are in a position to compete with anybody in India. I think that the Central Cotton Committee is doing something in the direction and if the research is being carried on round about Bengal you will find that it will produce as good cotton as any other part of India and then we will be at a greater advantage.

Mr. Majmudar.—What is the highest count that you spin in your mills?

A. 40s. Ordinarily we stop at 34s.

President.—What cotton do you use?

A. We have been making 40s out of the Punjab cotton and also certain varieties of Cambodia.

Mr. Majmudar.—You are not using foreign cotton?

A. Not at all.

Mr. Subba Rao.—You sell most of your yarn?

A. *Mr. Khaitan.*—Half of our yarn goes into cloth and half is sold as yarn.

A. *Mr. Lahiri.*—It is mostly converted into cloth.

A. *Mr. Khaitan.*—In our mill it is about half and half.

Witness No. 40

THE MARWARI CHAMBER OF COMMERCE, CALCUTTA

Written Statement, dated Calcutta, the 4th September 1926

SECTION I.

General

1. The depression in the cotton industry is more or less general throughout the world. In the same centre the general conditions of all mills are similar although intelligent management, amount of capital, nature of output, etc., may cause slight differences.

2. The present depression is certainly due mainly to world factors. Prices of cotton goods have not followed the decline in the general price level of the country. The general price index in our country is about 150 while that of cotton goods is still close on 200. The relative purchasing power for cotton goods is thus less than it was before the war or even a few years ago. Foreign competition is particularly severe in ports and in coastal provinces, while in the case of upcountry mills supplying local markets it is much less.

3. So far as can be judged at present, the depression is a temporary one. In the normal course, adjustment in the cost of production is bound to take place and if there is no unjust foreign competition, the industry can confidently look ahead for better days.

4. There is every possibility that the price of raw cotton will fall further, while that of manufactured goods will not come down proportionally, but will remain steady at a level, leaving a moderate margin to the mills. Even if the price of manufactured goods comes down from the present level, there must be adjustment in the cost of production.

5. Yes, generally. The position is more unsatisfactory with regard to yarns than with regard to piecegoods. Following the removal of the excise duty the position of the piecegoods sections would, it was hoped, become better but it has again become worse very recently.

6. Cheap raw material is always beneficial to an industry. It is very difficult to make any authoritative statement without knowing the actual cost of production, but it appears that during the last six months the decline in the value of manufactured goods has been proportionally less than the fall in the value of raw cotton.

7. To a great extent.

8. As has already been said the relative position as regards purchasing power is worse. The general price level is much lower than the price level of the cotton goods. The price of raw cotton is proportionately lower than the average level (Rs. 299 per candy in 1913, against Rs. 343 per candy in June 1926; that is 115, against the average price level of 150) cost of manufacture, transport charges, etc., have not come down in the same ratio.

9. The purchasing power of the ryot has not diminished, on the other hand there is apparently an increase. The case of piecegoods is, however, to be considered from a different standpoint as I have already said in reply to question 2.

10. Not to any perceptible degree.

11. We cannot say.

12. We have no accurate figures, but we believe that the number is not large.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. The loss of the Chinese market for yarn is undoubtedly the most important factor in the depression of the Bombay mill industry. The decline has been rapid and continuous since 1917, except in 1920. Japanese exports of yarn to China are also declining. It is evident therefore that Japanese competition is not the most serious factor; and development of the indigenous industry in China is primarily responsible for the fall in the exports from India. We are not in a position to estimate the effect of scarcity or dearness of freight. The expansion of weaving industries in the mills is an effect and not a cause of the cessation of exports of yarn to China. We are not inclined to believe that the indigenous weaving industry is to any great extent responsible for the decline in the yarn exports.

14. As yet the percentage of imported yarns from Japan is very small compared with the home production (in 1924, imports from Japan were 32,336,133 lbs. and production in India in 1924-25 was 719,390,000 lbs). So also in piecegoods; but it is increasing rapidly every year and that is the cause of anxiety. Imports of piecegoods from Italy are also expanding rapidly; these goods are also competing with the home products to some extent, but competition may increase at any time.

15. Grey shirtings, drills, sheetings, tweeds, checks, coatings, and suitings, etc.

17. Yes; we believe that certain lines imported from Japan are being placed in the Indian market at prices which would not cover their present cost of production in India. As for the second part of the question we have no information.

18. Yes. In Persia, East Africa, the Malay Peninsula, Australia and in other countries India is steadily yielding ground to Japan.

19. The figure for 1924 was exceptionally low. Yes, the percentage is likely to increase.

20. Yes.

21. Yes.

22. With the growing Italian competition we believe it is more than 10 per cent.

23. Yes.

24. Yes. As Japan has started exporting dhoties, imports from Japan will compete increasingly with those from Great Britain.

25. It is well known that during a falling exchange exports are facilitated, while during a rising exchange exports suffer and imports are favoured. When however exchange is stabilised and remains there for a time, adjustment takes place in wages and prices and normal conditions return. From the first quarter of 1924 the yen began to decline rather rapidly and this synchronised with the rise in the rupee. Thus Japanese exports were benefited during the period. Since 1925 the Japanese exchange has been moving upwards and it cannot be said that the advantage of a depreciating exchange still remains.

We cannot accept the Table given in paragraph 57 of the representation of the Bombay mill-owners. he price of cloth in Bombay per candy has been arrived at by adding Rs. 370 to the price of raw cotton per candy throughout the period from 1921-26. Now during this interval the general price level in India has come down materially and it is inconceivable that the cost of manufacture has remained the same. Wages might not have changed much, but other items like fuel and stores must have cost less in the past two years than in the early part of the period under review. Similarly a uniform cost of manufacture, viz., 190 yens has been added in the case of Japan and so also the freight charges. A reference to the price index of Japan will show that when exchange depreciated, the prices in Japan advanced noticeably. There might have been some lag behind but the cost of manufacture could not have remained the same throughout these years. The figures in the Table should thus be modified.

26. In the case of Italy also the depreciating exchange facilitated exports, but it is doubtful whether this factor will continue to operate.

27. During the appreciation of the rupee imports were facilitated. Even now full adjustments have not apparently taken place to the present rate of rupee-sterling exchange. If the exchange if fixed at 18*d.* the current level, the present unsatisfactory conditions may continue for some time, but sooner or later, probably sooner, complete adjustment will take place.

28. Labour is the most important factor in the competition of imported goods. In Japan labour is more efficient, works longer and is relatively cheap. So also in the case of Italy.

29. We have no accurate and specific information on the subject, but we understand that the Japanese Government grants subsidies and renders other forms of assistance to the cotton export trade.

30. We do not know whether the exporting houses in foreign countries get any special facility in the matter of credit in their own country, but the advantages from credit insurance and improved banking facilities are always available to them. The foreigners, especially the Italian exporters grant long credit to the local buyers.

31. Both middlemen and consumers get every possible consideration in regard to finish and packing, etc., from the foreign exporters.

32. So far as our information goes there has not been any marked change in the quality of Japanese piecegoods although there has been a falling off in the quality of their grey yarns.

33. Yarns in China due to Japanese competition striped, drills from Japan have affected the business of checks, susis (gabroom) produced in this country. There are other minor items also.

34. The reverse is the case—Indian consumers now prefer coarser qualities.

Section IV

Mill management

40. This is more a question of opinion but we are inclined to believe that the criterion is not satisfied by the industry especially in Bombay.

41. We believe that the managing agency system has become obsolete so far as the cotton industry is concerned. There was a time when managing agents were expected to finance the concern and give if the benefit of expert knowledge. Banks now finance the concerns freely security being demanded when money is advanced on goods and stocks. Expert labour is also readily available now-a-days. The managing agency system is undoubtedly a costly system and is ill-suited to those industries where there is competition.

Yes, concerns can be smoothly and efficiently worked by having a secretary with a small office directly under the supervision of the board of directors.

42. We do not know much about the arrangements prevailing in Bombay but we believe that the remuneration to managing agents should be in the shape of commission on profits and not on production.

43. Yes. There is generally the provision for fixed remuneration and also minimum commission.

44. Yes. It is certainly detrimental to the interests of the mills.

Section V

Mill Finance

45. In most of the cases there is over-capitalisation due to additions made during and after the war when prices were at their highest. In the case of a new construction the cost was very high. This was also the case when the mills changed hands during the boom days.

46. To a great extent.

47. We have not the necessary information to answer the question. Yes, the authorities ought to have followed a more conservative policy as regards distribution in those prosperous years and provided for depreciation more liberally.

48. We are of opinion that a substantial percentage of capital ought to be raised by the issue of preference shares and debentures for which there is an expanding market. Loans ought to be secured because it costs less. Reserves ought to be sufficient and these can be drawn upon in times of need. There should also be adequate provision for depreciation especially when machinery, etc., has been purchased at high prices.

50. Funds are frequently lent by one mill to another. We do not always regard it as a sound practice but it is inevitable if the concerns are under one managing agent.

51. Good concerns had no difficulty in obtaining finance in pre war days although banks are cautious in lending to joint stock concerns generally since the collapse of the industrial boom.

52. No, but we have heard that there are industrial banks in Japan which finance the industries of the country both for fixed and working capital.

Section VI

E. Sales

Costs of Production

89. The system of sales most prevalent amongst Bombay mills seems to be defective. The practice in vogue there does not afford any facility to the trade. Most of the mills sell their goods by the cash on delivery terms. The Bombay mills do not allow any credit facilities.

90. No. Not so far as our information goes.

91. There is not much change except in the normal increase in transport and other allied charges. This charge is practically the same for Indian and imported goods.

92. General credit is low but people with good credit can borrow cheaper than in prewar days.

F. Transport

93—95. We have no definite information on the subject but we are inclined to believe that Indian exports are handicapped by heavier freight charges than competitors have to pay.

SECTION VII.—SUGGESTIONS AS TO REMEDIAL MEASURES

A. Suggestions put forward by the Bombay Millowners Association

96—102. The claims put forward by the Millowners' Association in these questions appear to be just and reasonable.

103. No. Provided satisfactory arrangements can be made as regards the suggestions mentioned above and at the same time the millowners put their house in order there is no reason why the Indan industry should not be able to regain lost markets and acquire new ones.

104-105. The Millowners' Association wants protection against Japanese competition on the following grounds:—

1. Depreciated exchange.
2. Sweated labour.
3. State assistance to Japanese exports.

As regards (1) the objection no longer stands. The yen is rapidly appreciating and before long will return to gold parity. As an importer of foodstuffs and raw material Japan cannot permanently keep the exchange depreciated. Even if she does the resultant benefit will be nil.

There can be no denial of the fact that Japanese labour is more efficient. A perusal of the figures giving output per labour will convince any one about the truth of the statement. Japan also enjoys an indirect advantage over India by the employment of female labour at night; for instance the working by double shift is facilitated. It is thus obvious that the relative condition of the Indian industry would have improved if Japan had ratified the Washington Convention.

Lastly as regards the assistance rendered by the State to the export trade of Japan there is no direct proof to show that it really exists. We simply suspect that there is such a thing although responsible people denied its existence.

We thus conclude that Japan enjoys certain advantages over India. We believe that this advantage can be neutralized by accepting suggestions other than the imposition of an additional duty. But if the Bombay millowners want discriminating protection against imports from Japan we have no objection provided it can be done consistently with the provisions of the trade convention with Japan of 1905. We are however, strongly opposed to the imposition of a general import duty against all foreign piecegoods. Such a measure will unnecessarily be directed against other countries which have no unjust advantage over the Indian industry. But the strongest objection is that it will raise the price of cotton goods to the immense disadvantage of the consumers. We are also opposed to the imposition of additional duty on yarns of particular counts or on cloth of certain qualities as such a duty cannot be effective. Thus if a duty is imposed on yarns up to 30s count the foreign manufactures will send yarns of 32s or 34s count.

105. We are not in favour of any such duty.

106. Yes, it will mean unnecessary hardship to the middle and poorer classes.

107-108. Sales of home manufactured goods will certainly increase but to what extent it is impossible to say. Prices may not rise to the full amount of the duty owing to competition but still it will be a substantial rise more so as the home products cannot supply the requirements of the country for years to come.

109. No.

110. No. The ability of the Indian consumer to spend money on cloth is limited and the raising of the duty has certainly checked consumption.

111. Yes, the imposition of the duty will certainly raise the price and any increase in the price will certainly affect consumption as experience has shown the Bombay mill industry may not be inconvenienced as their sales will increase if the additional duty is imposed.

112. If the home market is assured tc the local mill industry due to a rise in the protective tariff the millowners will surely neglect the overseas market with the results that the exports to other countries will decline. It will not be a matter for surprise if the benefit to the industry accrued by a high import duty is neutralized by the loss of export markets.

113. The imposition of a duty will undoubtedly adversely affect the handloom industry as practically all yarn used in the industry is imported.

114. As we have said we do not favour the imposition of any duty and so the question does not arise.

115. It is an absurd proposal.

B. Other Suggestions

116. No. Throughout the world cotton production is expanding and if now an export duty be levied on Indian cotton it will certainly affect the producers. The area under cotton will decline and the price in India will fall.

117. The imposition of the duty will certainly replace the Indian cotton from some overseas markets.

118. No, we cannot.

119. Certainly.

120. It is very difficult to say. In the normal course the spinning of finer counts will leave very little margin to the industry owing to foreign competition.

121. We have no information about the equippment of the mills which is necessary for specialisation.

122. Certainly.

123. Yes.

124. In view of the large stocks the mills used to carry and still carry it is doubtful whether the full effect of the remission of the excise duty has been felt. The cotton industry generally all over the world has been passing through such an acute depression that it can definitely be said that the Indian industry has not had time to feel the full effect of the remission of the excise duty.

Witness No. 40

THE MARWARI CHAMBER OF COMMERCE, CALCUTTA

Oral Evidence recorded at Calcutta on the 30th September 1925

The following gentlemen represented the Chamber :—

Mr. Gobordhandas Shroff,

Mr. Bhajanlal Harlalka,

Mr. Jotindra Nath Banerjee.

President.—Are you the secretary of the Chamber, Mr. Gobordhandas Shroff ?

A. *Mr. Gobordhandas Shroff.*—Yes.

Q. And Mr. Bhajanlal Harlalka ?
A. He is a member.

Q. And Mr. Jotindranath Banerji ?
A. He is the Chamber's assistant.

A. *Mr. Jotindranath Banerji.*—I am an assistant in the office. I am the personal assistant to the Secretary. I have come here to translate their evidence into English.

Q. How many members are there in the Marwari Chamber of Commerce ?
A. 500 to 600 members.

Q. They are concerned with all aspects of the trade and not specially with cotton piecegoods ?
A. The Chamber represents the piecegoods trade generally.

Q. Have they any other activities besides piecegoods ?
A. Not much.

Q. Is it entirely concerned with imported piecegoods ?
A. Yes, only imported piecegoods.

Q. Only Manchester piecegoods ?
A. Manchester, Italian and Japanese.

Q. You are also concerned with Japanese piecegoods ?
A. Yes.

Q. How many members of your Chamber deal in Japanese piecegoods ?
A. Most of them deal in Manchester goods. There are some who deal in Japanese piecegoods also.

Q. Both of you deal in Manchester goods ?
A. Yes.

Q. It is unfortunate you have not brought with you a member who deals in Japanese goods. Who prepared the statement ?
A. It was prepared after discussion at a meeting of the Chamber.

Q. Who put it into English ?
A. There is another gentleman, a member of the Chamber.

Q. It is a great pity you did not bring him with you. It is very useful evidence and it would have been a great help to have had him here. It is a little difficult to discuss these complicated questions of depression and exchange when we have to do it through the medium of interpretation.
A. That member is not now in Calcutta.

Q. Is there not any other member who knows English ?
A. Most of the members know Hindi only. Some know English.

Q. In answer to Question 2 you say " the general price index in our country is about 150 while that of cotton goods is still close on 200." Where do you get that figure of 200 from ?
A. The idea which we want to convey is that the present price is about double the pre-war price.

Q. I want to know where you have got the figure 200 from ?

A. The Calcutta price index numbers given in the review of the trade of India in 1925-26 by the Department of Commercial Intelligence and Statistics, India, are as follows:

			Raw cotton	Cotton Manufacture.
Average	1915	..	89	97
	1920		153	325
	1921	..	143	280
	1922	..	191	239
	1923	..	244	221
	1924	..	272	229
	1925	..	205	210
March	1926	..	157	185

The present price index numbers must be considerably lower than those in March 1926 and the idea of the Chamber is that it must be close on 200.

Q. What are your grounds for thinking that the present depression is temporary only ?

A. The idea of the Chamber is that when the cotton piecegoods market comes to a settled condition, then the mill industry and the general piecegoods industry must necessarily improve and then the present depression will disappear.

Q. What grounds have you for hoping or expecting that the cotton market will come to a settled condition ?

A. In the cotton piecegoods market, if the price of cotton comes down and the market comes to a normal condition, then the present depression must disappear. The present price is close on 200 and when it comes to about 150, then the market will come to a normal condition and there will be no further depression.

Q. You say "there is every possibility that the price of raw cotton will fall further, while that of manufactured goods will not come down proportionally, but will remain steady at a level leaving a moderate margin to the mills." As we know, the price of raw cotton has fallen considerably during the last few days. But the trouble is that as long as the prices are falling, no one will buy and therefore it is not helping the mills in any way. If the price of cotton goes down, everybody holds off buying because they expect the price of piecegoods to drop too and they will not buy in that expectation. How are you going to get over that difficulty ?

A. The Chamber think that when the prices of piecegoods come down consequent on the fall in the price of cotton, then consumers will buy more than they do at present.

Mr. Subba Rao.—In reply to Question 9 you say 'the purchasing power of the ryot has not diminished, on the other hand there is apparently an increase.' Can you say why ? Have you got any information about it ?

A. The more the price of piecegoods comes down or the more it is coming down, the more is the purchasing power of the ryot.

Q. So the purchasing power is increased ?

A. Yes, proportionately to the fall in the price of piecegoods.

Q. What do you understand by the 'purchasing power of the ryot' ?

A. Their ability to purchase in larger quantities.

Q. That depends upon the amount of money he has.

A. If the price of piecegoods comes down, then people will necessarily buy more.

Q. With the same money as before ?

A. Yes. India can afford to spend a standard amount for her clothing and no more and the quantity she can absorb varies according to the price. If ten rupees will buy two pieces of cloth, two pieces will be bought; if, however, ten rupees will not buy more than one piece, only one piece will be bought and so on. This will be evident from the imports return figures comparing the values with the quantities of their respective year.

Quantities of piecegoods imports in millions of yards into India for grey goods—

In	1913-14	amounted to	1,534	when price was about	100
„	1923-24	„	704	„ „	225
„	1924-25	„	845	„ „	210

Q. So you do not know whether the ryot has got more money now than before or the same money as before ?

A. No. We do not mean that.

Q. You cannot say whether the ryot is having a larger income than before or the same income ?

A. We do not mean that by the purchasing power.

Mr. Majmudar.—In reply to Question 3 you say ' adjustment in the cost of production is bound to take place ' ; and in reply to Question 4, you say ' even if the price of manufactured goods comes down from the present level, there must be adjustment in the cost of production.' What do you mean to convey by those remarks ?

A. Lancashire has over and over again tried artificial means to get back to a profitable basis, and to do so has almost invariably sought to raise prices of a commodity which for some years past have been on a higher scale than all others, and on a level out of all proportion to those obtaining for other commodities. The mills had to adopt short-time measures and enter into the pledge to observe minimum yarn prices. So, even if the prices of raw cotton come down, steps shall have to be taken in the directions of full time working. Unemployment will have to be reduced and overhead costs of production also. Thus an adjustment must be made in the cost of production.

Q. In reply to Question 6 you say ' it appears that during the last six months the decline in the value of manufactured goods has been proportionately less than the fall in the value of raw cotton.' Are you referring to prices of ready cotton or are you referring to prices of futures for 1927 March and April delivery ?

A. We are referring to the prices of imported Manchester goods and the prices of cotton as quoted in Liverpool. We do not refer to Indian prices.

Q. *President.*—We should be very glad if you can tell us something about the exact competition of piecegoods from Japan and piecegoods from Manchester: how far do they compete with each other ?

A. The competition is severe because the Japanese goods are cheaper than the Manchester goods.

Q. As far as we have been able to ascertain, the Japanese goods, or a very large portion of them, are manufactured from counts between 30s and 40s. Do the goods from Manchester which come in range between those counts ? Are the imported goods from Manchester made of 30s and 40s counts to any large extent ?

A. Japanese grey shirtings of 30s to 40s counts are cheaper than grey shirtings of exactly that quality that come from Manchester.

President.—I wanted to know how much of 30s to 40s comes from Manchester ?

A. A very small quantity comes from Manchester.

Q. What about the other shirtings and sheetings and longcloth from Manchester ? What I want to know is whether much stuff comes from Manchester made from counts 30s to 40s ?

A. The import of Manchester goods between 30s to 40s is coming down gradually.

Q. But is there very much of it, and has there been very much of it in the past ?

A. We cannot give you the exact figures, but all we can say is that the import of Manchester goods of 30s to 40s is gradually coming down.

Q. Owing to Japanese competition ?

A. Yes.

Q. What are your grounds for saying that Indian consumers now prefer coarser qualities of cloth ?

A. We say this from our experience that Indians now prefer coarser qualities.

Q. Do you mean that they are buying more of the Japanese goods because they are coarser qualities than goods from the United Kingdom ? I am not quite clear how your experience shows you this.

A. They prefer Japanese goods because they are cheaper. At the same time they are coarse. That is why people prefer them.

Q. I do not think it is really very much use discussing this matter any further. I am very sorry, I can only say again, that the gentleman who drew up this statement for you, who put this statement into English for you, is not here to give evidence. There are many points which we should have liked to discuss with him. I said before that this statement is a very useful and helpful one, but in the absence of the gentleman who drew it up it is really impossible for us to go into it much further. If I may say so, you yourselves are not fully acquainted with the views of your own Chamber.

A. We too are sorry that that gentleman is not in Calcutta now.

Raja Hari Kishan Kaul.—Could you tell us of what counts the dhotis are made—those that are imported from Japan and compete with Great Britain ? What are they made of ?

A. Japanese 17/19s and 13/16s.

President.—What counts of yarn ?
A. 30s to 40s.

Raja Hari Kishan Kaul.—Mostly ?
A. Yes.

Q. You say grey shirtings, drills, sheeting, coastings, suitings, etc., are competing with the local made cloth ? What counts of yarn are they made of ?
A. Lower than 30s.

Q. Most of these things are of counts below 30s ?
A. Yes.

Mr. Majmudar.—Which piecegoods are imported from Italy ?
A. Fancy goods. We are not able to say exactly the styles. Formerly there was not anything from Italy.

Q. In reply to Question 17 you say that you believe that certain lines imported from Japan are being placed in the Indian market at prices which would not cover their present cost of production in India ? Please dilate on this.
A. Japanese goods are very cheap. Japan is selling future deliveries at lower prices, and the prices are so low that Indian mills cannot sell at those prices. That is all that we can say

Witness No. 41

THE UPPER INDIA CHAMBER OF COMMERCE, CAWNPORE

Written Statement, dated the 3rd September 1926

My Committee have been requested by the cotton mill members of this Chamber to address you in support of the representation made by the Bombay Millowners' Association to the Tariff Board. In doing so my Committee desire it to be clearly understood that the views and opinions expressed in this communication are those of the members of the Chamber who are directly interested in the cotton mill industry. The Chamber, as such, does not feel called on to put forward any opinion, either for or against the claims made by the Bombay Millowners' Association for Government assistance to the cotton mill industry.

The cotton mill members support in general the representations with regard to the parlous state of the cotton industry in India during recent years, and they confirm the opinion of the Bombay Millowners' Association as to the causes which have brought about this state of affairs. Those causes, briefly named, are :—

(*a*) The adverse influence of exchange, particularly as between Japan and India.

(*b*) The special conditions of labour existing in Japan whereby women and children may be and are employed in a manner and for periods inconsistent with the standard laid down by the Washington Convention and accepted by India.

(*c*) The rise in the cost of labour expressed in the amount of wages paid to the workers in relation to the cost of living.

(*d*) Taxation so far as it relates to stores used in a cotton mill, and excessive taxation in respect of income tax and super tax.

Whether it is practicable for Government to remove or alleviate any or all of these causes, and if so by what means, are matters for the Tariff Board to say. The industry having stated the causes of the distress the Tariff Board are asked to examine the various conditions responsible for these causes.

The cotton mill members are divided in their opinion as to the desirability of such a searching enquiry into the costs of production all over India, as is indicated in the questionnaire issued to individual mills with the Tariff Board's letter No. 242 of July 27th. Some of the cotton mill members feel that the representation by the Bombay Millowners' Association and the terms of reference to the Tariff Board by Government do not call for the institution of such a detailed and minute examination into individuals' affairs nor can they see the ultimate use of such information if obtained, unless the Tariff Board has in its possession similarly detailed information with regard to individual mills in Japan and in England. Even then its interest would be academic only; the fact that certain operations cost more or less in a mill in India than in a similar mill in Japan would not help to the solution of the problems which have been put forward. If it be suggested that it is expected to make use of the particulars by showing that individual mills in one part of India could conduct certain operations at a lower or higher cost than Bombay, or *vice versa*, it is still difficult to see of what practical use this would be to the industry as a whole, assuming that it was permissible or proper to make that information public.

They are of opinion therefore that much valuable time will be taken up to no practical purpose if the Tariff Board set themselves to gathering a mass of statistical information of this character. It is believed that few, if any, individual mills would be prepared to supply the fully detailed information which is asked in this questionnaire, although doubtless many millowners would be willing to give much of the information in private to the Tariff Board. They feel that the almost certain refusal of a large number of mills to supply detailed evidence with regard to their private affairs might act prejudicially upon the enquiry as a whole, and they would therefore urge upon the Tariff Board the desirability of confining their enquiries and activities to the elucidation of the problems set before them by the Bombay Millowners' Association with a view to recommending, if possible, a remedy.

Others of the cotton mill members are of opinion that the terms of reference to the Tariff Board enjoin on that body the duty on enquiring minutely into all

the conditions of the industry and feel that unless the Tariff Board has the fullest possible access to all information connected with the industry it will fail of its purpose. It is understood that some of the cotton mill members of the Chamber will furnish to the Tariff Board, in confidence, the information asked for, as fully as they can.

Reverting to the main heading of the causes to which the present depression is attributed by the Bombay Millowners' Association, the cotton mill members of the Chamber do not desire to stress further the adverse influences of exchange. The case has been very fully put forward by the Association, with all the relative facts and figures, which are susceptible of ready check by the Board. It is hoped that the Tariff Board will be able to suggest a remedy which will alleviate or annul this deterrent factor.

The cotton mill members are not unobservant of the natural effect of the fixation of exchange at 1/6. Naturally it enables the manufacturer in foreign countries to deliver his goods in India at a lower figure in rupees than would be the case if exchange were fixed at 1/4, whilst the Indian manufacturer will find very little diminution in his manufacturing costs, though it is admitted that the higher ratio of exchange on imported stores will result in a fractional reduction. It is contended by some members of the industry that mills which purchased their machinery on the basis of 1*s.* 4*d.* will be at a disadvantage with new mills which may be erected and furnished on the 1*s.* 6*d.* basis, inasmuch as their provision for depreciation must be on a 12½ per cent. higher capital value. Other members are however prepared to admit that the rise in machinery prices since the rupee was at 1*s.* 4*d.* will more than compensate for any advantage new mills may enjoy in this respect.

As to the unfavourable influence exercised by the non-observance in Japan of the restrictions with regard to hours of labour for women and children, it is recognised that Japan is quite free to ratify or not ratify the Washington Convention. But if Japan continues to employ cheaper labour power by the means above mentioned it follows that their production costs must be less than those obtaining in a country like India where better conditions for the labourer are observed.

At this point it might be remarked that Indian States are not bound by the ratification of the Washington Convention and there is good ground for belief that cotton mills situated in certain Indian States in India are working under conditions with regard to hours of labour, employment of women, etc., which would not be permissible in British India.

Morally it might be held that Japanese imports ought to be penalized to an extent sufficient to cancel the difference in cost due to this cause, but it is recognised that it is not practicable to discriminate against particular countries in view of the trading agreements which already exist. The cotton mill members of the Chamber suggest that a means of penalizing such imports might be provided by the imposition of the special duty recommended by the Bombay Millowners' Association, but only on imports of cotton yarns of counts below 40s and upon all woven or knitted goods made, wholly or partially, from such yarns, irrespective of the country of origin. This would not involve the violation of any trading agreement or convention and would, it is believed, provide a much-needed relief to the Indian cotton industry which is chiefly concerned with the production of yarns below 40s.

Should such a protective or special duty be imposed the possibility of earmarking the additional sum so realized for payment of a bounty upon exports abroad might be considered by the Tariff Board.

With regard to the question of wages, it is a well-known axiom to all industrial employers in India that it is virtually impossible to decrease a wage rate once established. With the rising cost of living from 1915 onwards mills were rightly obliged to increase the regular rates of wages to workers. With the decrease in the cost of living-index figure, however, it is found impossible to get the workers to accept a decreased rate of wage. Whether and wherever this has been attempted it has immediately roused intense opposition from the workers, usually ending in a strike. Nor is it altogether desirable to return to a lower wage scale if that brings with it, and it almost necessarily must, a decrease in the standard of living to which the worker has newly accustomed himself. The standard of living in India is notoriously low and the cotton mill members of the Chamber feel that the only thing to be done to meet the increased cost of production under this head is to endeavour by all possible means to get a higher standard of work both in quantity and quality from the worker. It is not anticipated that the Tariff Board

will suggest a reduction in cash wages as a practicable means of alleviating the present distress.

In the matter of excessive taxation, here again the cotton mill members of the Chamber feel that the case has been adequately and fairly represented by the Bombay Millowners' Association and the facts are known to all. It is not proposed therefore to labour this point—they support the Bombay representation, although of course it is understood that, in times like the present, income tax and super tax cannot affect the industry for good or ill.

The cotton mill members of the Chamber desire also to support the Association in its claim that the Customs duty at present levied upon stores imported for consumption in mills and factories should be abolished. It is a direct tax upon the productive capacity of the country and it should be the object of Government to assist by all possible means the production of goods in Indian factories at the cheapest possible prices so that sales may be increased in volume—possibly by access to new markets. The abolition of this impost would naturally leave a larger margin between cost price and selling price of the product than is practicable whilst these duties are levied, and consequently the individual concerns, when they are earning profits at all, would be earning profits larger than was otherwise possible—these increased profits would automatically provide more revenue to Government in the shape of an increased return from income tax.

Finally, whilst submitting this general view of the whole situation and expressing their opinion thereon, the cotton mill members of the Chamber are of opinion that no particularly useful purpose would be served by the tendering of official evidence on behalf of cotton mills in these Provinces—their numbers are small and their conditions so widely different from those obtaining in Bombay and Ahmedabad that their statistics of cost and production would form no useful criterion by which to measure the operations of, say, a Bombay mill, assuming that such particulars are eventually obtained from the individual mills of Bombay.

Witness No. 42

Mr. V. F. GRAY, PRESIDENT, PUNJAB CHAMBER OF COMMERCE

Oral Evidence recorded at Delhi on 9th October 1926

President.—You are President of the Punjab Chamber of Commerce ?

A. Yes, but I want to make it clear that I am representing at the present moment only the interests of the piece-goods importers of Northern India.

Q. How many members of the Chamber are piece-goods merchants ?

A. Roughly about half, I should think. Certainly the interests are more than half. I mean the banks here cater chiefly for piece-goods business. And if you will allow me to include Amritsar in everything Amritsar men always come down to our meetings, we would then be an extremely big centre. I think we would be about the third largest consuming centre in India.

Q. Delhi ?

A. Delhi and Amritsar. Calcutta first, and Bombay second, and undoubtedly we would come before anybody else, if you combine us. Karachi can claim a certain very large import but three-fourths of that stuff comes straight through to Amritsar or somewhere up here.

Q. We have had a representation from the Amritsar Piece-goods Association, but I do not know whether their point of view would be exactly yours ?

A. But the Delhi Piece-goods Association, I understand, have not given you any evidence. I understand they rather rely on me. The second in charge of my firm is the President of the Delhi Piece-goods Association.

Q. What is your firm ?

A. Messrs. R. J. Wood & Co.

Q. You are importing Manchester goods ?

A. Yes.

Q. The Amritsar Piece-goods Association has rather supported the Bombay Mill-owners' case. I take it that is not your point of view ?

A. They have ! Have they ?

Q. Yes.

A. That is a surprise to me, because the Delhi Piece-goods Association gave the opposite views on the last occasion when the Fiscal Commission was enquiring into the question of tariffs.

Q. Perhaps you will state your views generally, and then amplify them.

A. Yes. In my opinion the present is a world depression undoubtedly and not one of Bombay or Ahmedabad only. Prices to-day are double pre-war, and yet cotton to-day is the same as pre-war. When war broke out in 1914 the American cotton was somewhere between 7 to 7½*d.*, almost the same as now, but despite that we have got practically double price for piece-goods. In my opinion, the root cause is want of demand. In a country like India the people go naked rather than pay a big fancy price for clothes, and they can do so. I do not consider competition or tariff enters into the field, as regards the present depression in any part of the world. There is one item that helps this depression and that is, there has been a big lessening of credit due to the big slump we had some three years ago, and want of confidence in payment. That has restricted the distribution of the goods in the shops. The shops have now got to pay cash, and so are not able to display goods to the extent they used to do. And there is one further point; wages have gone up. This also applies at Home as much as in Bombay. Wages have gone up very rapidly far more so than they would have done if there had not been a war. Owing to the upheaval of the war wages have suddenly been put up to a greater figure, without the gradual speeding up of production that usually goes with a gradual rise. That is one of the contributing factors of the high prices compared with pre-war prices, taking into account that cotton is almost the same. Now as regards protection, the chief arguments put up for protection before the Fiscal Commission in the case of the Tatas and such firms was that they wanted to protect an industry so that it can get on to its legs and then do without protection on the argument that if you allow competition to break an industry as soon as that competition gets hold of the field it raises prices. That was the biggest argument used to keep Tatas going, but that does not apply in any way to the present argument because the world competition on the Indian field—Japanese, English, American and German—will keep prices down. There is no big combine of cotton as there is of steel in any country, neither is there in any group of countries, nor is there ever likely to be. By the rescinding of the excise tax, Bombay has had an extra

protection of 3½ per cent. just recently given. I do not think you have had much effect from that yet, and it does not seem to me you will have much. I said so at the time. You cannot possibly protect an industry heavily, that means almost the life of the poor people. A drop of 3½ per cent. was made only the other day, and yet this week cotton has dropped 20 per cent. in one week. That will bring down the price, far more than this 3½ per cent.

Q. Of American cotton ?

A. Yes, and Indian cotton immediately will fall if it has not already done so.

Q. It has not fallen to that extent yet, of course.

A. Have you had your cables from Bombay of what Broach and other lines are doing ? Cotton was 9*d* a week ago and it is 7*d*. to-day in Liverpool. Since the 16 million crop report of America it has practically dropped 20 per cent. That will mean 6 per cent. drop of prices of goods.

Q. Six per cent. on the price of goods ?

A. Yes.

Q. How do you work that out ?

A. I have not worked it out, I am merely giving my impression, according to the particular cloth I deal in, there is 8 lbs. of cotton in it, and there has been a drop of 2*d*. per lb.=16*d*. drop in raw material. The stuff costs 24s=16*d*. on 24s; that is nearly 6 per cent. Those are my rough calculations. I have also got my cables for replacing prices. The question of protecting the Bombay interests against other countries which have not ratified the Washington agreement nobody will have any objection to. I expect you had this circular (holding it up) of the Japanese people. Even in reply to this memorandum, it seems to me, you can say, "well, when you have ratified this agreement you can come in as a favoured nation, but until you do so you should not."

Q. You say nobody will have any objection. But there is another side to the question—the abrogation of the Trade Convention ?

A. Yes, there is an Imperial side.

Q. And in the second place you say that 3½ per cent. was not worth anything. The millowners have put the advantage Japan has in working double shift and in employing female labour at night at 5 per cent. Is it worth while having a tariff for 5 per cent. ?

A. When I said it was worth nothing I did not mean that it was worth absolutely nothing. Of course it is worth something. It puts up the price by 3½ per cent. in India on every bit of cloth whether foreign or Indian, 3½ per cent. goes to the pockets of the Indian mills. It raises the cost of living in India for the peasant by that particular amount.

Q. The point on which we should be glad to have your opinion is whether you consider that an advantage which at the utmost gives Japan 5 per cent. is worth much ?

A. They ask for 13 per cent.

Q. But that is for depreciated exchange as well. Five per cent. is for double shift working. Is it worth while imposing a duty for 5 per cent. ? Probably it could not be confined to Japan. I do not know whether you are aware in the United States, in the Southern States of America, there is no prohibition of female labour at night and no restriction as to hours of work. If you put it on against Japan, you will have to put it on against the United States.

A. The United States have agreed to the Washington Convention ?

Q. No.

A. Then you will have to go against the United States too.

Q. You are getting into difficulties once you start differentiation ?

A. I merely say that I personally have no objection. I do not advocate it at all. As a matter of fact I do not advocate any form of protection. I do not think it is necessary. I may point out here that Lancashire mills have from this week (all those spinning American yarn) decided to close two weeks out of three weeks to try and check production to hold their prices up as much as they can for their own interests. That shows the depression there is greater even than in Bombay. Bombay has not begun shutting up at all, they are continuing to work full time.

Q. It is always a choice of two evils. The question arises whether it is really worth while trying to keep up prices by short production or whether it is not better to produce all you can and reduce the price in the hope of stimulating consumption ?

A. But if this double shift working only gives you 5 per cent. reduction in prices it certainly is not worth much. We want 50 per cent. reduction in prices before we get back to pre-war quantities. In my opinion the high price of cloth throughout the

world is killing the industry. But what can we do ? Unless you get big demands you cannot get reduction in prices, and until you get reduction in prices you cannot get a big demand. Mills at home are not enjoying the policy of short production, but they are doing it because every one of them is in a bad position and they are in the hands of the banks who hold most of them mortgaged. The banks put their thumbs down and say, you cannot sell a yard at a loss ; make less, sell less, but at some profit.

Q. By reducing production you are increasing your loss. You have got overheads.

A. You have much higher overheads, certainly but you must remember that especially in England, we have all established marks, and they sell whatever the price. So we only keep our mills going on standard marks that will sell. It does not matter what the price is; people must have that particular mark. You just keep going on that and tide over the time. That should be the policy of Bombay too, they too have marks. Many of the mills have marks and on short time they can keep those marks going. Those who do not possess the marks will have to cut their prices against them and there are rather a lot of Bombay mills without marks. That is one of the reasons why there are far more Bombay mills in difficulties because they have no stand by in the form of a definite demand from the public for a particular kind of goods. If you have got a mark people will buy it, you can even reduce the quality and you can still get the price. This is a temptation that Indian mills are much too fond of falling to. In a bad time they see nice profits, but if the quantity is reduced the marks are out of favour in two years and those mills are again in a bad way. One should keep the quality, improve the quality rather than reduce it, and I am afraid Indian mills are not good at that. They are too keen on the profits during a crisis. But those who have got marks and have got definite reputations and there are certain mills in Bombay who have their cloth fetches a better price than the cloths of other mills—the identical cloth, just because they have got a reputation among the public. They can carry on at a reduced pace, because they can carry on merely on the standards that are wanted and leave off everything else till prices are better.

Q. The argument is, as you probably know, that one of the reasons why Lancashire and India are both so depressed is that Japan has not been restricting production. Japan has been on the other hand increasing its production and therefore has been able to reduce prices all round, and that has made things so much the worse for both India and Lancashire. What is your answer to that ?

A. Of course one has always that trouble with a new country or a new firm, to get a group of people to stick to this condition. You find all these outside people breaking away. That is their only opportunity and temporarily they do well. Get back to the normal times and they won't. I do not quite see how one can stop it. Putting up a tariff against all foreign places merely raises the price to the consumer in this country without getting you any further unless that tariff is going to be a prohibitive one and stops any stuff coming in at all.

Q. One argument is that it is not so much the volume of goods which comes as the price at which it is coming which is depressing the price of the Indian piecegoods. Would that hold in the case of a tariff ? Supposing you have a prohibitive tariff against Japan will that send up the price of piecegoods to some extent ?

A. Not for everything, no. You still have the English piecegoods coming in, and the Bombay mills will only be able to put up prices on lines that English imports do not compete with. The medium class would not be affected.

Q. They would put up prices to the full extent on lines on which Japan has at present the advantage ?

A. Yes, as far as they could. The only thing that can bring down prices is foreign competition and, as long as there is no foreign competition, up goes the price. If however prices go up too much better classes from some other country begin to be taken in their place. Then they will have to reduce the price because of this. So, it would undoubtedly raise the price of Bombay stuff for the lower qualities. The price of the higher quality will have to be kept down to meet foreign competition.

Q. What about the internal competition of the mills ? Would that act as a restriction on increasing prices ?

A. I do not think internal prices will do it 8. Japan has got to buy cotton here and take it to Japan. India has got cotton at the door and still they cannot compete, because it is no good talking about exchange. This opens up another question, that of exchange but the depreciation of exchange cuts both ways. They buy cotton here at a certain exchange and they bring the same stuff back at the same exchange. I am afraid no arguments advanced in the world are going to make me believe that a depreciated exchange is good for any country. England fought as hard as she could to

prevent her exchange going down. France has also realised it and they are fighting their level best to do the same. To say that a depreciated exchange is any help to any country is against every economic law in the world.

Q. Japanese exchange in any case is not a depreciated exchange ?

A. No, it is practically back again now and that they will find will be rather against them, because they probably bought that cotton at low exchange and now they are getting less in yen for the stuff that they give back. What they gained they now lose as it is working back again. I do not think exchange is a thing that any Tariff Board should interfere with. It will adjust itself in time. If a country's exchange goes up and down only while the change is taking place somebody is going to have big losses and somebody big profits. As soon as exchange is fixed and kept level—it does not matter much at what rate the exchange is fixed, everything levels up to that rate. Bombay is asking for 1*s.* 4*d.* against 1*s.* 6*d.* I cannot see myself their arguments at all. If exchange is changed at once to 1*s.* 4*d.* their stuff will appear cheaper than foreign stuff for the moment. But the selling price of Indian commodities in the European markets will be less. It all runs in a vicious circle. What you want is to maintain a fixed exchange. It does not matter what it is fixed at. If you change to 1*s.* 4*d.* somebody will make profits and somebody will make losses. Government has decided on 1*s.* 6*d.* as being the easiest rate to stabilize and I think they will have great difficulty in holding it down even to this. I think they ought to have taken 1*s.* 8*d.* During the last few months they undertook to keep it at 1*s.* 6*d.* And what happened ? Six months ago it looked like going below 1*s.* 6*d.* Government stepped in and offered Councils and the mere threat stopped any further decline, but later it started to rise and would have gone up to 1*s.* 10*d.* only. Government stepped in again but to stop it rising they had to spend almost a crore. 1*s.* 6*d.* is a low enough rate to-day for Government to hope to keep it down and I think they will have a tremendously hard task in keeping it down to this level. Whether it is 1*s.* 6*d.* or 1*s.* 4*d.* I do not think it makes any difference in the long run.

Q. Provided it stays there ?

A. Yes, provided it remains. There is another point now to be considered, whether the Bombay mills will be able to supply the wants of India. At the present moment it hardly looks as if they can do so in fact. There is no doubt they cannot, the moment we get down to normal conditions, down in fact to pre-war prices—India is a big consuming centre—the Bombay mills will not be able to supply the increasing demand. As the civilisation in India increases, there will be increase in demand. People will be demanding higher class stuff and Bombay cannot make it. The lower class people now having a yard of loin cloth will be wanting suits. The natural increase in the output of the Bombay mills will be more than absorbed by the natural increase in demand. I do not think that the Bombay mills will ever be able to supply the wants of a country like this, they are not cut out for it. The climate is wrong ; the people are wrong. They are not keen enough, not quick enough workers ; the dearest labour in the world is Indian labour. You have got in Bombay a man looking after 2 looms. In England you have got a young girl, of about 16 looking after 4 looms running at twice the speed. You used to pay her 16 or 17 shillings a week before the war, you pay her now 30*s.* What is 30*s.* a week for looking after the equivalent of 8 Bombay looms ? You pay to-day in Bombay Rs. 35 a month for two looms. Labour in Bombay is too slow and therefore dear. The difficulty with the Indian labour is that they won't speed up, and the whole reason of that is that you cannot get people to stay in an industry. They are always moving, always running back to the country. You have not got compulsory education in this country. They have not got the intelligence and they are not regular. They learn a bit and they go back and forget everything. Your so-called skilled labour is not so advanced as casual labour in Lancashire. We do not consider any body likely to turn out much good until he is a third generation worker—the grand father, the father and then the child, and then you have got what will turn out instinctively a first-class spinner. But you seldom get a first-class spinner out of the first generation. Here in India a farmer comes along, but he is unlikely to become a first-class spinner, he lacks the instinct that seems to be bred in children of life-time workers. Bombay has not such men to recruit from. I will give you an instance, years ago I sold cotton machinery to Sweden and sent a fitter to fix up the machines, this fitter whose name I could give you, was asked to stay as Spinning Master, he did so, knowing nothing about spinning only the machinery part, he liked it and eventually drifted to Bombay, I met him some years ago as Manager of a big mill. A man you won't look upon as a first-class spinner in Lancashire becomes the very head of a big firm of spinning mills in India, and he has got to teach all these others ! Bombay is still such a long way off, in getting the right type of really first-class craftsman that the idea of thinking that they can give this country—(unless this country is going to be satisfied with the coarser type of cloth)—the cloth it requires is impossible. It is going to take two generations to do it.

Now turning to the question of Managing Agents, I do not know very much about them and I would rather leave this part alone. The only one observation I would make is that there has been a good deal said that the Bombay Mills never buy cotton at a cheap rate. If it is bought cheap it is on the Managing Agent's account. But if the market goes against him it is the mill's account. That is a generally understood opinion running all over the country and I do not think it is altogether possible that there should be no truth in it.

Q. We tracked it down to an allegation in regard to one or two mills. In any case they are not first class mills. There is no evidence at all that this is a common factor.

A. It evidently is the practice of some mills.

Q. It undoubtedly had been done in one or two cases.

A. They speculate in cotton on their own account. If they are Managing Agents of mills a restriction ought to be imposed against speculating. Any cotton bought by them should be definitely for the mills. If you could stop Managing Agents being allowed to speculate as long as they are Managing Agents of cotton mills, it would help. The same principle should be applied in the case of selling cloth also. Now take my case. D-1 is my chief mark. I am not allowed by my firm to speculate in it. If I had been, I might have made a fortune in it a few years ago. I sell the stuff at a certain figure, and I know the price the next sale will be made at and if this market is below it I could profitably buy that stuff and hold it, the price has got to come to the higher level at the next sale time. But naturally I am not allowed to touch it. And I do not think that the Managing Agents should be in a different position. If they are Managing Agents of a mill, there ought to be a definite restriction preventing them from buying cotton except on the mill account. Such a firm should not be allowed to speculate privately.

Q. When you say they should not be, how are you going to stop it ?

A. You can only stop it by the mill having such a clause in the agreement and then if you once prove that a director ever did do so you can get a new managing agent or perhaps put on a big penalty. It will be difficult, but it seems to me that it is the only means you can have. A straightforward firm would not object to it.

Q. A straightforward firm would not do it.

A. Therefore people who do it should be penalized.

Q. I do not quite see how Government can stop it. Undoubtedly it should be stopped. It is an undesirable practice. But I cannot see how any recommendations we are in a position to make will put an end to it. We should have definitely to recommend something. We may express a pious opinion, but I do not quite see what definite recommendations we can make.

A. It is a question between the shareholders and the Managing Agents. Now turning to the question of upcountry mills, you had the evidence of the Delhi mills yesterday and I expect you gathered they are all doing extremely well.

Q. Would you say they are doing extremely well ?

A. Yes.

Q. There are four in Delhi altogether ?

A. There are only two to count.

Q. We had both of them before us yesterday. We had Mr. Sitaram Khemka and Mr. Shankerlal. Mr. Sitaram was undoubtedly very envious of the position of the Delhi Cloth and General Mills. He was showing that he was making both ends meet.

A. At any rate, I understand he is contemplating putting in new machinery. They are asking for protection, but there is really no need for it, no need for protection from Japan or Lancashire, from Bombay perhaps. In your questionnaire, you talk about recapture of outside markets. How can you think of the possibility of recapturing outside markets if you must have protection to sell in your market ? Bombay mills have got 11 per cent. protection against the outside world and they talk of wanting to capture outside markets. If they cannot sell with cotton at their door, their own markets at their door, and if they cannot meet and beat foreign competition in Bombay, is protection going to help them to compete in foreign markets ? It will simply raise prices here. They are not going to sell abroad at 20 per cent. less than they are selling in India. No mill can have one price here and another price there.

Q. I am not quite sure that their idea was that they would not be able to dump in the overseas markets.

A. At a loss.

Q. At cost price.

A. It really means loss. This means they expect to make the Indian consumer here pay the profit that they ought to earn in the foreign markets. You make the masses of India pay. Surely India is a big enough market, without making the masses pay for

this outside competition. Bombay made a mistake, we all know, in distributing all their profits of those particular boom years. But those that put down machinery instead made also a mistake as they bought machinery at a ridiculous figure. I cannot give you the particulars; but I do know that my firm at Home sells cotton machinery and I know the ridiculous prices about that time. Any price was given for cotton machinery and everybody who bought machinery at that time has got to write capital down at least half before they get that machinery to pay a reasonable dividend. There is a point I missed when I was talking about distribution, may I return to it? One of the reasons I stated was that it was difficult to distribute the piecegoods, either the Bombay piecegoods or the foreign piecegoods, in the districts because of the loss of confidence in credit, but in addition to that I omitted to state we cannot get men to invest money in hundies for cotton piecegoods. The leading men here who used to invest large sums in hundies invest nothing now. Buyers used to come to Delhi from out-stations, buy goods, write out a hundy, go back to the village, and when the goods were sold come back with cash to Delhi. He did his business on credit from a financier in Delhi. Now all these financiers refuse to touch piecegoods. I was speaking with a gentleman of the Imperial Bank recently and he says he is simply inundated with these people wanting him to take their money. The upcountry dealer is not now able to display his goods so nicely and people don't buy owing to these money restrictions; the position is improving, goods are going slowly into consumption. A certain amount of credit is now being again given by people whose lives have been spent in the piecegoods trade. But it is very difficult to get money until there is more confidence; this coupled with the high prices. It is just the same with Lancashire. Lancashire firms lost 80 per cent. of their capital three years ago, their sales are now restricted and prices higher owing to smaller turnover, margins have gone up, there is lack of confidence all round, lack of facilities. This is all restricting business and business with India was done on such a magnificent scale, up to quite recently it was considered such gilt edged business, so piecegoods went to the consumer at a very very cheap figure. To-day they are suspicious. That is one thing that tends to keep the prices up, and until you get prices down you are not going to have any happiness in the cloth trade, I am afraid. There are two questions at the end of your questionnaire. I will refer to (1). You ask about a scientific tariff.

Q. That is one of the points. As I have explained many times in the course of the enquiry, one of the troubles we have been up against is the inability to discover the exact range of competition between Japanese goods and Manchester goods and those of the Indian mill production. We have had the most varying estimates on that head. In Bombay, for instance, they have told us that practically nothing below 40s came from Lancashire. On the other hand, in Calcutta they told us there is a large range of goods coming between 30s and 40s.

A. I should like to say that there is nothing as high as 40s sold in Delhi except for such things as mulls for pagris and fancy lines, but in the staple industry I doubt if yarns as high as 40s are used much.

Q. What is it?

A. White shirtings. There is not a great amount of grey goods coming from Lancashire here; in fact the chief difference between Bombay stuff and English stuff is this difference between grey and white. There is a lot of foreign grey coming in to India, but I do not think it is a big thing in this part of the world. The Lancashire goods coming here are mostly white.

Q. You say that practically all the Manchester goods coming into Delhi are mainly white shirtings?

A. White or coloured, not grey. Very little grey is coming in from Lancashire.

Q. White or coloured goods below 40s?

A. Yes.

Q. It is obviously desirable, in order to get this question settled, whether this Board recommends protection or not, that the exact state of competition should be settled in some way or other. And that is why a specific tariff is bound to come and what we want to know is how to set about it.

A. I should think that the average of the big stuff that comes in this market here is about 32s warp and 40s weft, or less.

Q. Is there much below 30s from Manchester?

A. No, not except in these cheap fancies, where they very often put a very low weft—strength in one way and weakness in the other.

Mr. Subba Rao.—This is the average cloth, 32s warp and 40s weft?

A. This is typical of the average big cloth that is selling up here. My own stuff is slightly heavier than that. But including my own line I doubt if there is a single staple mark having any yarn either way above 40s.

Q. Or below 30s.

A. Yes, 32s is chiefly the counts of yarn used for the warp or twist. 32s is more or less standard—32s and 40s, 32s and 42s, 32s and 38s. It is nearly always 32s. It may be 34s and 36s also. 90 per cent. is 32s twist and 34s to 38s weft.

Q. Do you speak of the Punjab market ?

A. Yes, I am speaking of Delhi and Amritsar.

Q. Are you thinking of Indian goods alone ?

A. No, Manchester goods.

Q. Manchester goods that come into your market or into India generally ?

A. Into this market. There is no doubt in Calcutta there are very much finer yarns imported.

Q. You are speaking of the consumption of Manchester goods in this area ?

A. Yes.

President.—We were dealing with this question of specific tariffs.

A. I am very much against it because I do not see any Customs Department ever capable of tackling a tariff from a scientific point of view. An *ad valorem* tariff, in my opinion, is the only possible way. You see it is such a complicated thing—the cotton. You might have 32s weft and 30s warp ; and then you are changing it to 30s warp and 32s weft. The difference in price is considerable.

Q. I know the difference.

A. There is tremendous difference, and how on earth are you going to get over it ? And then take the Lancashire stuff. You buy 30s warp in one district. In another district you have got to pay 10 per cent. more for the same stuff. And you cannot at this end discover any of this without boiling the cloth for ten hours and analysing it. How on earth can an ordinary Customs official ever get at any right index ? Then again, the firms will try their best to refuse to give the figures. I mean, we should fight like anything to refuse to divulge what our leading lines are made of.

Q. You would have to give it.

A. We could give you something and not necessarily figures of an inferior cloth, but we cannot give exact particulars, it is one of our trade secrets. If we were to tell you definitely the particulars you may ask everybody can go and buy the same yarns of exactly the same counts and make the same cloth.

Q. There is nothing whatever to prevent that now. They can analyse the cloth,

A. You cannot get within 5 per cent. Cloth with beetled finish, almost pure cloth. looks very similar to filled cloth only calender finished, but in one the quality is thin and won't wash or rub out and in the other it is not, and it wants a long careful test to find the true difference which may be tremendous.

Q. I cannot see where the hardship comes in in giving your counts. My point is this. I know from my own experience as Controller of Cloth, that one of the great troubles was that we gave the mills certain specification of counts of yarn and reed and pick from which they were to make the cloth. The great difficulty I had when it came to sending this cloth upcountry was that different mills could turn out distinctly different cloth from the same specification. You know as well as I do the reason was that the different mills had different machinery, different management, different cotton and so on. I was only dealing in grey goods and it must be the same with bleached and white goods. From the mere fact that anybody knows your counts of yarn, it does not follow that they will be able to produce cloth anything like yours.

A. I may tell you perfectly candidly that we should never give you the exact figure. We would give you some figures which would be sufficient enough to hoodwink competitors. It is not fair to make us divulge particulars of cloth in the first place and, secondly, I think it is rather too difficult for the Customs people to assess on.

Q. I would draw your attention to the tariff in the other parts of the world. There are the Italian tariff, the Austrian tariff and many other tariffs in which the duty is based on the counts of yarn and the number of threads to the square inch or what answers to it. Has the British manufacturer raised any objection to the Austrian tariff ?

A. I could not tell you.

Q. The tariff that is suggested is a tariff which is in operation in other countries in the world and I consider that if India is desirous of knowing what classes of goods come into this country it should be perfectly open to her to know the particulars which she wants and to penalise anybody refusing to furnish them. I presume that is what happens in other countries,

A. I think it is very unfair to make us say. But we shall find means to circumvent giving our secrets away. I do not want to say that as a threat in any way. I think you, Sir, seem to have a good deal of experience owing to your connection with the Munitions Board.

Q. With standard cloth.

A. But do you think the average Customs official has equal knowledge ? It seems to me that they are pretty bad as it is with only market value to calculate.

Q. You say that as regards grey goods it is not difficult ?

A. Grey cloth would be far simpler.

Q. You would have no objection for an experiment being made with grey goods to start with ?

A. No, no serious objection, but with other goods so many factors enter, so many kinds of finish, so change a cloth, adds weight, etc. How would you treat a schreinered cloth, a cloth with glass ground in, to give a silky finish ? The whole thing is very, very difficult. *Ad valorem* is in my opinion the best way to impose duty. The only other point I wanted to raise is your question whether it is easy to specialise. I should say it undoubtedly is, very much. In the first place you have only got one standard of cotton to buy. You have all the looms the same. You can get right down to producing only the cheapest and best. You are always in the market watching when it is cheap to buy the type of cotton you require. You do not want any other. You always buy the same cotton, get the same finish, always keep the same looms running at the same speed. You gradually speed up the looms until you get the best production for that particular cloth and therefore I should think it is very much easier for a mill to specialise and turn out one profitable line rather than to make everything. It is easier for the workmen; they want far less supervision if kept on the same work, instead of changing their work. On the other hand there is less positive competition amongst fancy goods, as cloths are so changed by finishes, competition is not so severe as it is not so easy to compare, but if you deal in fancies here and plain goods there, you cannot be so cheap. I think it is easier for mills to specialise.

Q. As a matter of fact the mills that seem to be doing best are those that go in for several varieties, so that our experience going round the different mills has been otherwise.

A. But are they specialising in fancies ?

Q. Yes, they are going in for several varieties.

A. I do not mind varieties. Specialise in a variety if you like, but specialisation is better than to have plain sheet cloths at one end and weaving expensive cloths at the other end and mixed lines in the middle. If you want to have a bit of Egyptian cotton running in, have it but have it in all of them. Specialise in certain directions rather than take anything that comes along. You create a market that way better than by taking the first offer that comes along.

Q. There are a few questions which arise out of your interesting evidence. I take it that in this part of the world Japanese competition would hit Manchester goods even more than Indian ?

A. In theory it does, but in practice it does not seem to.

Q. To what do you attribute that ?

A. I am selling Manchester goods. I have never met any serious Japanese competition

Q. Why is that ?

A. Probably that has not come so far yet. After all Japanese competition is very modern. After establishing themselves in Bombay they drifted on to Calcutta—the two spectacular centres. They do not seem to have come up here yet in any bulk. There is a lot of Japanese stock but it is hosiery, vests, cheap sarees and things like that. What the Japanese have done is absolutely to cut out what Germany had before the war.

Q. You say the Japanese supply cheap sarees. It is hardly our experience. The great point about Japanese stuff that we see is that it is distinctly superior to anything Indian mills can do ?

A. In appearance. They give a wonderful appearance to the Japanese stuff, but there is no wearing quality attached to it. That is my experience.

Q. The moment we entered Cawnpore we heard that. But it was not told us in Calcutta.

A. I sold Japanese stuff before the war quite a lot, but I have since given it up. I have not therefore personal experience during the present wave. I have also sold pre-war German stuff, and I think the Japanese trade and German trade are very much in the same lines.

Raja Hari Kishan Kaul.—Has there not been a distinct improvement since the war ?

A. I am speaking of pre-war. I have not handled the Japanese stuff since the war, and during the war their supplies were bad—they got a very bad name for giving you bad bulk against sample.

President.—That is the point I raised with the Bombay Millowners' Association. When I was in Bombay in 1918-19 I found that complaints against Japan on the grounds you mention were extremely numerous. It would seem from the evidence we have got that there has been a marked improvement in the quality of Japanese goods. And the analysis we have made of the Japanese cloth certainly does not bear out the view that the Japanese goods are inferior.

A. They may be still below the sample.

Q. They may be. But from the analysis we have had made, in many cases we find that in Bombay they cannot make the same qualities at Japanese prices and that is one of the grounds on which they base their case for protection.

A. There is one point which we constantly overlook. Lancashire has been selling cotton machinery to Japan recently in very big quantities and these machines are going to produce something. Their products were originally intended for the China market. China has been under revolution practically for ten years now. Before that we had business with China, and Manchester had very big business, but we have not now 1/50th part of it there. You can sell a bit in Shanghai, but it never gets upcountry. Owing to this the big market of Japan is taken away. As soon as China settles down they will absorb every bit that Japan can produce and a lot of extra output from India. You have cut off the second biggest market in the world for cotton goods through the revolution in China, which is having a very big effect on the present depression all round. I have not had any personal experience of post-war Japanese goods, I am afraid.

Q. Just one further point in regard to specific duties. I take it your position would be summed up in a desire to keep the *ad valorem* system ?

A. Personally I think it is the better system because in taking counts the range is so enormous and even in the same counts when different qualities of cotton are used there might be a difference, and it might penalise people using good cotton—or would it be the other way round ?

Mr. Majmudar.—It will be the other way round. It would penalise people using bad cotton.

A. Still you would not get as fair a duty as you are getting to-day. The *ad valorem* duty is the easiest for everybody to work.

President.—You have not given any suggestions, Mr. Gray, as to what is to be done. The cotton industry is the biggest industry in India and it is certainly now in a bad way.

A. It is in no worse way than the cotton industry anywhere else in the world.

Q. Barring Japan?

A. Barring Japan.

Q. Do you think it should be left to the play of natural forces ? That would be a somewhat discouraging conclusion ?

A. I think there are another 12 months at least of very bad business. Prices are now double the pre-war to-day—slightly under. Cotton is exactly pre-war.

Q. Is that true of Indian prices ? You are referring to Manchester goods. You are working on your piecegoods ?

A. I am saying this now, but a fortnight ago I could not have made this statement. Cotton is coming down every day, during the last few days it has fallen to 7*d*. Think of 7*d*. cotton at the high cost of labour in the United States and the high steamer charges ! It is economically impossible for America to grow cotton and deliver in Liverpool at 7*d*. and prices must go back, but at present there is far too much cotton and spinners are going to be hit in all circumstances. Cotton to-day is below the value it can be produced at. There is no doubt about that. But it is buyable at the price, and yet we are at very nearly double pre-war prices for cloth.

Q. You are referring to Manchester ?

A. Yes. Lancashire goods.

Q. Is it quite true of India ?

A. India will follow. She will follow in the price of cotton every time ; at present everybody is holding up prices. My goods have not yet fallen in the Delhi market but they will do so in the next two months. People are naturally trying to get rid of their stocks of dear-bought goods. What I want to impress on you is that we are on a market which has to go down.

Q. Indian mill made long cloth in May 1914 was 9½*d.* and it is now 16*d.*

A. That is very nearly double. It is much too high. Isn't it? It has got to come down yet and naturally the evolution of things will bring it down. We are going eventually to pre-war prices. It will be done by the speeding up of production. The evolution of the world is always on these lines. Therefore for some years now we are on a falling market. You buy cotton and make cloth, but by the time you sell it the market has fallen and you get only to-day's price of production and not what you paid, and therefore all are going to lose on the contract. There is no profit until we get down to bedrock and until we do so, the Bombay mills like everybody else will be in a bad way. When we get down to reasonable prices there will be a tremendous boom in India. India has no stocks. Villages are absolutely empty of stock. All stocks are in Bombay and other distributing centres.

Q. Isn't it the cause of the trouble in Bombay that now they have, say 150 thousand bales of cloth of which in the old days at least half would have passed out of their hands upcountry?

A. Yes, I should think it is. That is the whole trouble; I consider it is the want of confidence in the distributing centres. There is no money. People won't look at cotton, specially people who have dabbled in it. They have always burnt their fingers because they have been for so long now on a falling market. Until the market is at the bottom whatever you do would not make much difference. You can only bolster it up for a time but the fall in the market back to normal times must come.

Q. If you would put a heavy tariff against everything that came into India, would that have an effect?

A. It would have an effect of course, raise prices allround, but you are only putting the evil day off. Until you get prices down to reasonable figures you are not going to get prosperity. To-day the people are spending their time in communal riots and fighting between themselves. They are a badly dressed, unhappy people. Take this district for instance, people do not come to Delhi to buy. There is always a riot or the possibility of one; we have holidays but they will not come during these holidays. They dare not because of the possibility of riots. The whole atmosphere is changed. The happy-go-lucky time in India is gone. Until you get that back conditions will remain more or less the same. You can go a long way to getting it back by reducing prices. Putting up a tariff means raising prices. You are not going to help anything thereby. It is a bad time and Bombay as well as everybody else has to suffer. If the mill is in such a bad way that they cannot pay dividends they must face facts and write down the capital. They must tell the shareholders, "we cannot make any profit, we must wipe out part of our capital and then we can show you a profit on such reduced capital. At the present moment we cannot meet expenses, we are overcapitalised as we are, we gave all our profits away to you when we made profits, our small reserves have gone and now the only thing left to do is to write down capital." That is the only way. Increasing the prices to the masses is the last way in my opinion by which you are going to get prosperity to India. The only way to get prosperity back is to have cheap, attractive goods in the villages which everybody would be willing to buy—people used to come into fairs and take back a few yards of cloth to their women. I do not think a return to that is very far away. But until it comes and until China once more consumes, there cannot be much improvement. China is one of the biggest consumers. It has now stopped consuming. Therefore, there is a surplus of supply over demand. Lancashire has in consequence curtailed production. Everybody in Lancashire knows that this is wrong but they cannot help themselves, they cannot go on at a loss. So they have to sell piecemeal and to make a profit on what they sell. In India you see this lack of consumption—go to districts now and you never see nice clothes. They are all in dirty rags, prices are too dear. I do not think personally there is any help for the Bombay mills except to grin and bear it for another twelve months at least. I consider in the middle of a world depression it is an extremely bad time to have a tariff wall. Everybody has got his tail down. Every sale you make shows a loss. Cotton has dropped in a week 20 per cent., making a drop of 6 per cent. on cloth prices and as nobody makes a 6 per cent. profit, everybody is going to lose on nearly two months' trade. After that we are likely to be stable for about eight months. There can be no more wild reports about American crops, it is finished until the next crop. Meanwhile four or five months' supplies have got to come out, everyone is going to lose money.

Q. But the tide must turn, I imagine.

A. We buy our stuff three or four months ahead at the least. It arrives here in about three or four months' time, and therefore we have got to meet a big loss because we are on a falling market. If there is a shortage of cotton next year, prices of cotton will go up and everybody will make a profit. Everybody holding stocks to-day will want to make as much as he can before the outside public know much about it, so Indian merchants are trying to hold up prices for a time and I do not see that the Bombay mills are in a worse position than anybody else.

Raja Hari Kishan Kaul.—Raw cotton is of course a principal factor in the determination of the price of cloth, and as the price of raw cotton falls, naturally the price of cloth comes down.

A. It is not the principal factor, is it ?

President.—The cost of cotton is 50 to 60 per cent. of the Indian cost of production.

A. It is not so in Lancashire ; probably 30 per cent.

Raja Hari Kishan Kaul.—Here cotton is the most important. Well, the contention put before us by the Bombay millowners is that the difference in the cost of production and the selling price is not sufficient. As the price of cotton falls, naturally every manufacturer will produce cloth at a cheaper price, but while the difference between the cost of production and the selling price is too small, is unremunerative, the millowners say that they are suffering ; whether prices are high or low they do not stand to gain with such a small margin. That is the point which has been put before us by the Bombay millowners. Of course with the price of cotton coming down to rock bottom the price of cloth also will come down to rock bottom. But their contention is that owing to the unfair competition the difference between the selling price and the cost of production is too small to be remunerative.

A. But the unfair competition you talk about is merely 5 per cent. for double shift.

President.—And depreciated exchange ?

A. I cannot agree that there is any unfairness in exchange. It may be temporarily an unfair thing. It will react everywhere as it rises again. But the double shift, they say, gives 5 per cent. advantage. Surely that 5 per cent. is far more than wiped out as they have got an eleven per cent. duty now, and in addition Japan has to pay for the cost of carriage on cotton from here to Japan and on the goods coming back again to India.

Raja Hari Kishan Kaul.—They do not re-export all the cotton to India.

A. In regard to what they do re-export, nobody can say it is unfair competition.

Q. Even in the cloth that comes to India cotton is only 50 per cent. They lose on 50 per cent. of this lot and they gain on 100 per cent. of the rest.

A. The cloth costs so much to make from the cotton point of view. The rest is composed of overhead charges and labour. Now Japan has got, in addition to overhead charges and labour, freight both ways and the 11 per cent. duty. It seems to me that Bombay's mistake is in not getting more work out of their men. Is it not possible for a man to look after four looms ? At Home you see looms running at twice the speed and girls in charge sitting there knitting socks. So light is the work.

Q. That is because of better cotton.

A. That is because of better workpeople. Bombay is using extremely good cotton. They have got Broach cotton, and American cotton also is grown in Montgomery. All that is consumed in Bombay.

Q. We are told that looking after a larger number of looms is facilitated by the better quality of cotton.

A. They do not do any real work. Weaving is the easiest work in the world. They could easily look after 10 or 15 looms. There is nothing to do but piece up and.....

Q. Here the weaver has to do a lot.

A. And what is the loom doing ? It means you have got inefficiency there. It is a whole question of inefficiency and I do not think a tariff is going to improve inefficiency. You want to impress upon the Bombay people that they should get more expert weavers and then with humidifiers yarn won't break much. You could save a great deal if you could get one man to look after four looms.

Q. The question is whether the conditions are not such, for instance in respect of humidity, that they cannot improve matters beyond a certain limit.

A. I think they can. Labour is the trouble, not humidity. I have seen Indian labour. I have seen Indian cooly labour. Watch them moving a pipe across the road, you require about a 100 men, who then sing and move it slowly across, but you would get two Englishmen to pick it up and carry it without any fuss. On the other hand, you take a chauffeur, he works well ; you can get extremely good Indian chauffeurs to look after your machines. Why can't they do it in cotton mills ? Let the Bombay mills pay more and get better men, the class of men that do chauffeur work. They only pay cooly price in Bombay and get cooly work. What they ought to do is to get a more educated type of men and then with the better quality of cotton now grown in India they should look after four looms, and the cost of cloth made out of that better cotton will be less because they are running four looms instead of two. Now they have cheap cotton, cheap labour and slow men.

Q. Probably nobody will deny that there is room for improvement in many directions, but what we have to see at present is whether under the conditions now existing the millowners are suffering as they allege they are.

A. Everybody in the world is suffering. There is no doubt about that.

Q. They are suffering more than people elsewhere ?

A. It is Japan that they want help against, but it will have a bad effect on the consumer, as the consumer will have to pay more money for his clothes. Government relies on cotton duty partly to get revenue but I do not think they are entitled to any more revenue from such a necessity of life, nor do I think it will help Bombay mills to any great degree. I doubt if Bombay mills are up much against prices in the case of Japan. I expect you will find these mills here are cutting them in prices and yet they ought not to do so. There is far more education in Bombay than here.

Q. We have been told that the Japanese goods are cutting out the Bombay mills and the Bombay mills are in turn cutting out upcountry mills.

A. I can understand that. I can understand that as upcountry mills have extremely poor labour to recruit from and that labour won't stay long but will go back to fields for certain spells leaving the mills to look after themselves. I can understand Bombay cutting into their sales very badly.

President.—As a matter of fact it is the other way round.

A. Then I feel it certainly is a question of inefficiency. The mills up here have no right to cut Bombay out. Bombay has got all the advantages. You talk of broken ends in Bombay. What about the broken ends in Delhi ? In Bombay their natural climate almost stops breakage. If these mills are competing with Bombay mills with labour much less educated, then there is inefficiency in Bombay.

Q. Might it not be that they are paying their labour too high ?

A. Certainly they are. Everybody is just now.

Q. In Bombay mills ?

A. Yes.

A. Everybody is paying too high, because, as I said in the beginning, labour has advanced 50 per cent. since the war and there has been no speeding up of production. In fact, there has been a lessening because they are working less hours, and therefore less production. In Lancashire, the moment they get back to pre-war level they will reduce their hours still more, even perhaps to six hours, but they will work double shifts. Each one to work for six hours and they will thus employ double the number of people. There will be no night work, but the mills will work twelve hours while weavers will only work six but look after six looms. When I was working in the mills in Lancashire I worked from 6 to 5-30 in the day, *i.e.*, 11½ hours a day ; there has been some reduction in hours since then.

Mr. Subba Rao.—There is one general point to start with. You say that people here are willing to go naked. What do you mean by that actually ?

A. When these tremendous high prices existed in 1919 in England there was a regular strike among the buyers and we all said, " no, we won't buy at these prices ". Instead of having four suits we reduced ourselves down to, say, two suits.

Q. That is hardly saying that people are going naked.

A. That is in England. But in this country they simply did not buy at all, or only a yard of cloth or so.

Q. They may go in for the minimum supply of cloth.

A. When I say " naked " of course I do not mean that they go about without even a yard of cloth.

Q. It is a wrong expression which you used and I wanted to challenge your use of it.

A. What I mean is that with the price of cotton cheap, suppose they liked one colour and they bought it. Then they saw another colour and they bought that. Thus he bought about five or six different things during the year. Now the buyer is buying about one.

Q. Do you suggest that people here are going practically naked as a matter of choice, as people elsewhere are going as a matter of fashion or choice ?

A. Not choice.

Q. Fashion is choice or compulsory force ?

A. It is a little of both. In the boom they were paying big prices and the cost of living now is such that they cannot afford to pay these big prices for cloth.

Q. You know it is alleged in the west that the present fashion for minimum clothing is one of the causes for depression in the textile trade ? Then let me come to exchange. I think I am in general agreement with what you said. You spoke of repudiation of contracts in 1920. I quite agree with you that in business repudiation is undesirable. But don't you think that the merchants had at least some claim for sympathy of the public if nothing more ? Because they entered into the contracts when exchange was at 2*s.* gold and after all that was not maintained.

A. I have great sympathy for them, for exchange dropped from 2*s.* 10*d.* to 1*s.* 4*d.* and the price of the goods thus dropped 50 per cent. It was a question of going into bankruptcy or repudiating and they chose the lesser of the evils and in any case they are now paying for it.

Q. I do not suggest that they were wise in the long run in doing it. But they depended on a contract being supported by a certain undertaking or promise on the part of the Government.

A. I do not agree with you there, but I do not want to bring politics into the discussion.

Q. Nor do I, but I am stating their position.

A. There is no doubt that they gambled a lot and went on buying English stuff and one could not stop them buying.

Q. I am merely speaking of the people who made a contract with Lancashire merchants to buy at a certain rate and when the goods came they found they had to pay more rupees and they could not. We will leave it at that. With regard to 1*s.* 6*d.* exchange, do you think the adjustment is complete as regards prices and wages ? But to the extent that wages, which you admit are very high, have not come down in proportion to the rise in exchange, does not that act as a hardship on the cotton manufacturers in Bombay and elsewhere ? If wages remained at a level which assumed 1*s.* 4*d.* exchange and the exchange now has gone up to 1*s* 6*d.*, it will depress all round.

A. If values had remained, perhaps. But values have fluctuated leaving no standard of value. Ever since, exchange has been jumping about, there has been no standard whatever. The only stable bit has been with exchange at 1*s.* 6*d.* as it has been for the last two years.

Q. You had 1*s.* 3*d.* or 1*s.* 4*d.*

A. But it went back again. It went up to 2*s.* 10*d.* Then it came down to 1*s.* 8*d.*, then went back to 1*s.* 10*d.* then steadily down to 1*s.* 3*d.* and slowly up to 1*s.* 6*d.*

Q. Therefore you suggest that 1*s.* 6*d.* is about the normal thing ? Or what is your point ?

A. The opinion I personally expressed to the Commission on this was that they should fix exchange when they considered it had settled itself. The Government undertook to keep 1*s.* 6*d.* while that Commission was sitting, but they had very hard work to do so. The difficulty was to keep it from rising, not from falling. Now the Government state that this is the figure that they can hold it to. But on the experience of a short time ago it seems to me that they are having a lot of difficulty in keeping it from rising above 1*s.* 6*d.*

Q. I am merely asking you whether you think that when wages have not come down in proportion to the 1*s.* 6*d.* exchange, there is not a certain measure of hardship on those who sell at prices that have been adjusted to 1*s.* 6*d.* while they have got to pay the wages that are at a higher level.

A. I heard the question the first time, but I do not consider that the prices to-day are adjusted in any way to wages, they are fluctuating far more in sympathy with cost of raw materials.

Q. Then is it your opinion that there is no specific relation between the prices of cotton goods and cotton wages ?

A. There must be eventually. But there is not at the moment and won't be until cotton has got down to a definite level.

Q. The vagaries of the prices of cotton and cotton goods are too great for us to take any notice of the present high level of the wages in the cotton industry ?

A. You assume that the level is 12 per cent. too high ?

Q. It is higher than it should be.

A. At the outset it cannot be higher than this difference between 1*s.* 4*d.* and 1*s.* 6*d.* Can it ?

Q. That is the maximum.

A. That is 12½ per cent. Therefore if you think wages at present are 12½ per cent. higher than what they ought to be, even if I agree, it seems to me such a small point compared with the violent fluctuations in the selling prices of the stuff. It can only be 12½ per cent. rise in wages, if you take it all.

Q. Because the cotton prices are varying so much, any small additional extra amount in cotton wages does not matter ? It is not a thing to be taken note of ?

A. I do not think you can at present. If you think it ought to be taken note of, it cannot come to more than 3½ per cent. But I do not think one can, till we get down to stable prices.

Q. When do you think it will get down to stable prices ?

A. Not at least for two years.

Q. Then I understood you to say that you had no objection to any measure taken to give the Indian mill industry some help—I won't say protection—against unfair labour conditions in the competing countries, assuming of course you can prove that the conditions are unfair ? Am I representing you correctly ?

A. Yes, but I think there are too many difficulties in the way from the Imperial point of view.

Q. But you won't object in principle ?

A. I think the principle is there for the ratification of that particular treaty, although I think if Japan decided not to ratify it would not make any difference. There is a loop-hole there. But I do not think.....

Q. If it is expedient.

A. I do not personally think it is going to help in any way, because I think there is a lack of buying power in China and the price is too high for the Indian to be tempted to pay. I do not think a small protection of the unfair difference of 5 per cent. is going to materially help.

Q. You said there is possibly 4 per cent. difference in wages and with 5 per cent. difference in unfair competition, it comes to 9 per cent. (4 *plus* 5). It may turn a profit into a loss or *vice versa*.

A. Against that, is it fair to make the general public pay 9 per cent. more for everything they buy ?

Q. That assumes that they will pay in the long run. Somebody has got to bear the burden now.

A. Consumers pay in the long run.

Q. You have got in England that well-known Act, the Safeguarding of Industries Act, more or less on the same principle, to enable the home producer to compete against unfair competition from abroad. Does it show that in Great Britain Government does not help people in such circumstances ?

A. It was intended to safeguard the Key industries; it had nothing to do with competition. And then it was added on to luxuries like motor cars.....

Q. I am speaking of the provisions of part II of the Act which deal with things like hosiery. You said that Government in England would not do it. The British Government has done it, and what the Millowners want is legislation of a similar character. Then you said that Bombay mills will not be able to meet the Indian demand. Is it a question of quality or quantity ?

A. Quantity.

Q. You mean they will not be able to supply the Indian needs of cotton goods ?

A. Not as soon as we get down to stable conditions. You have not enough mills. How many spindles have you got for 300 million people ? And in a few years' time all of those 300 million people will be wanting to clothe themselves.

Q. You are saying that with the present supply of spindles they cannot meet the demand. Is it a point against the present position or future development ?

A. Future development ; even now a great deal of their machinery is obsolete and will require repairing.

Q. Is it possible for the Indian mill industry to develop ?

A. Not for some generations. They will increase of course normally. But they will only increase *pro rata* the consumption. The growth of civilisation must mean that people want full clothes instead of loin cloth and they will only be able at any time to meet the increased demand. They won't be able to cut out the foreign competition as well. They cannot hope to do more than keep up with increased demand from increased civilisation which must naturally take place.

Q. You are speaking of further development in consumption. But at present if you take the increase in the last 20 years it won't be more than 5 per cent. per year. But the foreign imports amount to a third of Indian consumption. Do you really think,

that it is not possible in India in about 15 years to increase our spindles and looms to supply the additional 1,500 million yards which we import ?

A. Perhaps, but by then the increased population of India and the increased demand from India will have far outgrown even this increase of the Bombay mill industry. India is unlike other countries very lightly clothed and in a decade I expect you will find that every single one of the 300 million people will want a complete suit and they want that suit renewed every year. The Bombay mills at the best will merely meet this extra demand without encroaching on the foreign competition.

Q. You mean there is room for both—foreign goods and expansion in India ?

A. Absolutely ; any amount of it.

Mr. Majmudar.—You referred to looms in England running at double the speed of the Indian looms. May I know what looms you were referring to ? What is their width ?

A. I spoke very vaguely. The width will be 36 inches. That is used chiefly for the stuff coming out here. But I think you will find that the speed at Home is a great deal faster than here.

Q. What is the speed ? Can you give me an idea ?

A. I am afraid I cannot.

Q. It seems to me that double the speed is impossible.

A. Perhaps I am exaggerating slightly ; but the speed is a very great deal faster than here. It is attended to by an young girl aged 16 or so who looks after four looms and here you have looms running very much slower. That is the comparison I wish to draw. I regret I may be a bit vague here. I have not the facts at my finger's end, but I think you will find that the production per £ of wages in England is far greater and of a better class than here. I was only explaining that Indian labour is very slow and very expensive.

Q. What were the counts of yarn ?

A. I am making a general statement. I mean every loom.

Q. With the same counts you believe the looms are working at a much higher speed there ?

A. Certainly.

Q. You do not refer to looms working on fine counts ?

A. I have referred to all. If you had finer counts in this country they will work much more slowly than they will at Home.

Q. Do you know that in Japan a weaver minds only two looms and a half on an average ?

A. How can any one look after half a loom ?

Q. That is the average. There might be some working 2 and some 3.

A. I see.

Q. Then you made a statement that Lancashire people do not become good spinners or weavers until three generations have passed.

A. What we call master spinners or experts.

Q. You are not referring to the common workman ?

A. What you would class as common workman probably includes every single person in Lancashire. With compulsory education at Home Lancashire workpeople, while not perhaps being capable of being classed as " Sahibs " they are well educated and in the past the lowest man has at times risen to be master, so that it is impossible to differentiate. The lowest job in the mill is the slasher's job and many a slasher is a master of the mill to-day and owns the mill. I grant that such rises are almost negligible nowadays or during the last 10 or 15 years because the Trade Unions are so strict and they stop anyone working harder than another, so a working man cannot now rise to be a master. But up to 10 years ago it was not so and even to-day there are very few public school boys who have anything to do with the mills. But among the working classes in the cotton districts, every single child knows all about spinning. Here they know nothing. They know everything there and when they begin working in the mill they want no teaching. It is almost instinct.

Q. And when you do get men here they are not so skilled as the labour in Europe ?

A. Nothing like it. They have not the instinct.

Q. Then you refer to machinery purchased at high prices. But that is not the case with all the mills. Even those mills that have not purchased machinery at high prices are not doing well.

A. Those who did not buy at the tiptop prices must have got rather obsolete machinery.

Q. But there might be some mills which installed machinery just before the war. How could you call these obsolete ?

President.—Are not you generalising rather ?

A. I do not know anything about the Bombay mills, I can only generalise. I am a qualified spinner myself, and I do know my subject. But I do not know what Bombay mills are doing and of course my criticism of Bombay might be a little bit wrong. I have given my opinions from a practical outlook but perhaps not from the Bombay mill point of view. But you are asking questions, rather general questions, as to what one considers the reasons and I point out that I consider one of the reasons was that one man here looks after two looms and in Lancashire they look after four and they are more or less general things.

Q. When you come to the statement that Bombay mill machinery is largely obsolete, it is hardly borne out by the facts.

A. I said I did not know much about Bombay. But I should like just to state one fact: Bombay gave away—we have all seen it in the papers—all profits in the boom time and when I made my statement about machinery I wanted to point out that those who bought machinery in boom years, on account of the fact that they bought it in boom years, must pay the boom prices.

Q. That is quite true, but it is hardly correct to say that those who did not buy new machinery have obsolete machinery.

A. It must be pretty old if they bought it before the war.

Q. Would you call eleven year old machinery old?

A. Yes.

Q. How often does Lancashire renew its machinery? If you went into a Lancashire mill would you find any machinery more than ten years old?

A. Yes, but generally speaking they have not very old machinery.

Q. The life of a loom or spindle is more than 11 years?

A. Yes, it is. In Lancashire one finds in boom times new mills are erected and many old ones left derelict, and there too new mills erected in a boom are overcapitalized. From what I could gather of the Bombay mills they gave away all their profits during the boom, but those that bought machinery at such a time instead, owing to the high price of such machinery, could never hope to show a reasonable profit on the mill. There are some mills of course—isolated ones—which got their machinery before the boom at a good price and put away a good deal to reserve, but if machinery was not renewed the bulk of the Directors of the mills gave most of the profit to the shareholders.

Mr. Majmudar.—That they are not earning interest on the reserves means that they are not making a profit.

A. They have got little or no reserves.

Q. From what you say it follows that if the mills had built up reserves.....

A. Nobody is making any interest on the reserves, nor expecting to, but drawing from one's reserves to keep alive. Nobody is making a profit to-day.

Q. Whether the machinery is high priced or whether the machinery was purchased before the war, the mills are not making profits.

A. Only very very few who have probably been writing down their capital. But generally speaking I should say there is very little profit made in cotton to-day anywhere. I do not know what the Japanese are doing. Apparently they are doing well, but we do not know what they are actually making in the profit line.

Witness No. 43

THE KARACHI CHAMBER OF COMMERCE

Written Statement dated the 6th October 1926

I am directed by the Committee of this Chamber to request you kindly to lay before your Board the following comments on the Bombay Millowners' Association's application for protection to the cotton textile industry, which has received this Chamber's careful consideration.

The essence for meeting Indian demand is cheapness, and in no direction is cheapness more required than in the simple clothing of the working-classes. The decrease or increase of the consumption of cotton cloth per head of the population in India consistently follows the price level. It seems evident that at current prices the population are restricting their purchases of cloth and renewals to the minimum.

It is quite a common sight now-a-days to see even people of repute wearing repaired and darned clothing—a very marked contrast with pre-war days. During and since the war the whole tendency has been to reduce expenditure on clothing, which habit can but be maintained if the prices of cloth remain high. *There is no means of increasing consumption except by lowering prices.*

In view of this fact it is distinctly disquieting to find the Bombay millowners proposing an increase of import duties which can benefit their trade only by enabling them to raise their selling prices, at the expense of the whole 320,000,000 of the population!

My Committee recognises that up to 1925 Indian cotton mills had a distinct grievance in the Excise Duty of 3½ per cent., which was a tax on production. The removal of that tax a year ago *has hardly had time yet to make its effect more than slightly felt.*

It must strike anyone as an extraordinary thing that an industry established two full generations, endowed with its raw material locally grown and its selling markets also near at hand, while its competitors have thousands of miles between their mills and their raw material and again between their mills and their Indian customers, and further *now* protected against all comers by a clear 11 per cent. import duty, should yet ask for itself from the State further advantages represented as a matter of life and death to the industry!

The question at once arises—are all the mills in the like predicament?

And it may be added, if they were it would seem that such an industry had no economy claim to continued existence.

But far from the industry showing no economic claim to continued existence, it appears that even in Bombay city itself, where the depression is most marked, in 1925 *while still weighted with the 3½ per cent. Excise Duty* no less than 27 mills made profits representing about 17½ per cent. on their capital.

Even in prosperous times such returns could but be considered favourable, and it appears there are cotton mills outside Bombay that did no worse. Had the 3½ per cent. Excise Duty been taken off earlier it is presumable that the above profits would easily have exceeded 20 per cent.

It is equally a fact that in 1925 another 40 mills in Bombay paid no dividends at all on their ordinary shares.

It would appear from the above that the *crux* of the whole question is to be found in the difference between the 27 mills and the 40.

It must surely be that the 27 mills paying such good dividends set standards of efficiency by which the business has been made to pay, and the 40 non-paying mills failed to attain those standards.

If so, the following questions seem to arise:—

(*a*) To what extent is the capital issued represented by value, and to what extent if at all by mere "water"? To whatever extent capital may have been "watered" during the boom period it manifestly requires to be written down now. It is inconceivable under any just political or social system that special taxes should be imposed on the community in order to enable fictitious capital to earn dividends.

(*b*) To what extent if at all are the interests of managing agents and/or directors in conflict with the essential interests of the shareholders as regards—

(1) buying raw materials;
(2) buying stores and machinery;
(3) arranging finance;
(4) arranging insurance;
(5) making appointments in superior posts;
(6) marketing the output?

(*c*) To what extent if at all are managing agents and/or directors interested in mere turn-over as opposed to profits?

(*d*) To what extent if at all do managing agents and/or directors lack expert knowledge of mill organisation and the processes of manufacture?

(e) To what extent if at all are the non-paying mills properly equipped as to machinery and finance so as to be able to stand up on equal terms with their local competitors ?

In Great Britain when the application of the *Safeguarding of Industries Act* is considered, the first factor taken into account is that of the employment of wage-earners, *not* the interests of the capitalists and entrepreneurs concerned. For this there are special reasons :—

(1) The urban industrial population involved is not mobile, and must, generally speaking, be employed, if at all, in its own districts of residence. It is only capital that is mobile.

(2) If such employment fails, the relief of the unemployed falls on the public funds, partly on the local rates and partly (through the *dole*) on central revenues.

No such conditions prevail in Bombay. In fact there are statements put forward by the Bombay millowners that reveal the exact antithesis :—

(1) Absenteeism, lack of training, of capacity and of the discipline necessary for factory production on a large scale. The Bombay millhands are in fact just cultivators attracted from their fields to the overcrowded slums of Bombay, where they live in deplorable conditions by wages that seem very high to country-folk in the light of their native village scale of expenditure, but prove delusive when the cost of *living* in the city is taken into account. They would therefore just as soon return to their fields, as the strike of 1925 proves. They accordingly resemble in no way the settled urban industrial population of Great Britain.

(2) Nor in case of unemployment (apart from famine relief in country districts) is there any obligation (or necessity for obligation) on the part of any public authority to provide work, relief or doles for " out-of-works ". It is not suggested that the Bombay millowners have in any way deliberately misrepresented the position in these respects in India but there undoubtedly is an undercurrent of view that because Great Britain has a Safeguarding of Industries Act, therefore India should follow suit *sans phrase*. It is desirable that the essential difference between an as yet unspoiled agricultural country such as India and an over-industrialised country like Great Britain should be very clearly noted. The masses of the population of Great Britain to-day have no resources except their industrial employment. The masses in India happily still retain their ancestral resources of employment on the land. In India therefore it is not a question of the whole of the people from top to bottom being concerned. It is primarily only the interests of managing agents, directors and shareholders that are at stake, and in the way that the Bombay millowners are putting up their case, they are conflicting those very narrow and limited interests with the interests of the whole community.

In conclusion it may be pointed out that after the fat years of war and the short post-war boom period, industries all over the world have been suffering by the process of re-adjustment to normal. Gold prices have been constantly falling all over the world, and only those world industries which foresaw the reaction and grappled early with the problem that falling gold prices entailed have prospered. Conditions have not yet reached normal, and though the processes of re-adjustment have no doubt gone so far that " the worst is over ", it cannot be said that this is a time at which State action is desirable to maintain prices of any sort or description. The economics that the processes of re-adjustment force alike on Governments and individuals must be fairly and evenly distributed throughout the State. Special efforts to raise the price of clothing in India by artificial means at a time when the prices of almost everything produced by the soil of India tend to ease, would be gross injustice to the masses of the whole population, both in British India and in Native States.

Witness No. 44

THE BUYERS & SHIPPERS' CHAMBER, KARACHI

Written Statement dated Karachi, 1st September 1926

1. Our interest in the subject matter of the present enquiry is in consequence of this province being a very important centre for the production of the raw materials required for the textile manufacture. The total value of the raw material exported from Karachi has varied in difference from nearly 500 lacs to 750 lacs of rupees up to 1922. These figures have enormously increased during recent years and have reached a total of about 11 lacs of bales of cotton valued at not less than 1,600 lacs at the outside. In view of the expected increase in the arable area under cotton brought about by the materialisation of the Sukkur Barrage scheme, these figures will show a phenomenal rise in the output of raw material, which rise, it is expected, will be not less than 100 per cent.

It is not necessary therefore to further emphasise the fact that as a present important producer of cotton and a further leading producer of cotton in India, Sind has a material interest at stake in the rise and fall of the textile industry of this Presidency.

2. This brings us to the question of the absence of textile manufacture in Sind itself in spite of its assured prosperity as a producer of raw material.

We confess our inability to make any authoritative statement of reasons for the absence hitherto of cotton mills in this province, but so far as we know it is alleged that there are difficulties of adverse climatic conditions, dearth of water supply and want of efficient or cheap labour.

We are, however, of the opinion that these difficulties are not insurmountable and but for the aftermath of the war resulting in world-wide depression in trade and industries and the consequent shyness of enterprise everywhere in the country we would have seen the inauguration of this manufacture in Sind. We therefore believe that it is urgent in the interests of this province that an expert investigation be made with a view to ascertaining the actual nature and strength of these alleged difficulties.

3. Another point on which we desire to draw your attention is that Sind is not only a big producer of raw material for textiles but it is an important consumer of its finished products both Indian and foreign. The value of import of piece-goods in the year 1922 was 1,425 lacs of rupees though in recent years the crisis in the piece-goods trade both Indian and foreign has considerably reduced this figure. The enormous consumption on this head in Sind is accounted for by the fact that Karachi, the chief port of Sind, is a distributing centre not only for Sind but also for the Punjab, North-West Frontier, Baluchistan, Persia and Afghanistan.

It is easy, therefore, to gauge our interests in the vicissitudes of the textile trade of this country. We should not, however, for a moment be misunderstood that as important consumers we are only interested in the cheapness of the finished products. On the contrary we are convinced that any slight increase in the value of the finished articles will be amply compensated for by better prices and readier sales of our raw material in the markets of the Presidency. Moreover, we cannot ignore the prosperity of a whole indigenous industry by taking the narrower view of a cheap market for foreign produce It is not possible to isolate our position from that of a greater entity of which we form only a part. Cheapness when only localised in one product at the cost of general well-being of that whole is bound to result in a dearer penalty paid in a variety of forms by its constituent parts.

We are, therefore, in general sympathy with the majority of demands put forward by the Bombay and Ahmedabad millowners, especially are we at one with them in urging the abolition of duty on the import of machinery and stores, of super-tax and of octroi duty of one rupee per bale levied in Bombay. This last can, however, be replaced by a terminal tax. The system of levying terminal taxes on a variety of articles has been operating very successfully in Karachi. Regarding the fixtures of favourable inland and coastal transport facilities we suggest that the same should receive careful attention by the Board if the case is fully made out by the mill industry of the province. But to our mind the most important factor in uplifting this industry from their present marooned condition is the establishment of a well-organised, partly official and partly non-official, department which can through their commercial representatives and consular attachés posted all over the chief centres of the world market look to the safeguarding and better-ment of Indian industries and their complex requirements wherever necessary. This, further added to by the bold and continuous policy of a protective tariff, will certainly help the much-needed recuperation of the Indian textile and other industries.

We need not point out that the introduction of the academic controversy of free trade-*versus* protection in the present plight of Indian industries is as serious an abuse of fundaments of commercial economics as it is a flagrant attempt of vested interests at unveracious sophistication. No country in the world ever took to free trade when its own industries were still in infancy and required careful nursing. The growth of the textile industry in England itself is a direct result of notoriously protective edicts and statutes promulgated in the 18th century and the earlier decades of the 19th century. In fact these not only rendered imported articles dearer by adverse tariffs but during the earlier stage even penalised the vendor and the consumer of such articles.

4. Now coming to the other side of the question we think much is left undone by the present mill management. It requires to be reorganised on more modern lines and with wider views of the responsibility of being at the helm of an industry on which depends the well-being of thousands of employees and that of their prosperity on the whole. They should not be entirely at the mercy of a foreign competitor who competes with them not only in the production of a cheaper article but who also plays a formidable part in rivalling them as purchaser in the local centres of raw produce. We in Sind would certainly invite their careful attention to the changes that are likely to occur in the near future in Sind on completion of the Sukkur Barrage. We see no reason why the millowners of Bombay and Ahmedabad should not constitute themselves producers as well as manufacturers. The opportunity is before them under exceptional terms and large areas that will now come under cotton cultivation in Sind will be available for them if they choose to cultivate their own raw material for home consumption.

7. Lastly we desire to bring to the notice of the Board that to our mind their investigation will not be complete unless and until they fully go into the question of the losses sustained by the textile industry of this Presidency on account of adverse exchange. We understand these losses are enormous.

8. We finally thank the Tariff Board for giving us an opportunity of placing our views before them because the voice of Sind in defining the future destinies of this great industry will not be small when our present scheme of making Sind a very important centre for cotton materializes.

9. As we do not desire to add materially to what we have already said here, we do not think it necessary to post a representative to give oral evidence before your Board.

Witness No. 45

THE CALCUTTA LINERS CONFERENCE

Written Statement dated the 29th September 1926.

1. The Calcutta Liners Conference is the representative organisation in Calcutta of the various steamship lines trading between United Kingdom ports and this port. Its membership comprises the following lines, namely, the Harrison, Clan, City, Anchor-Brocklebank, British India, and P. and O Lines. The Conference is thus directly concerned in the import trade in United Kingdom piece-goods, as the various lines bring to Calcutta a very large proportion of this cargo.

2. It is not the intention of the Conference to submit formal evidence, either written or oral, to the Board. They have examined the questionnaire which the Board have issued, but the points raised in it are not such as can be dealt with by steamship owners and agents. Their object in addressing the Board is not to deal with the question of whether the Indian cotton manufacturing industry should, or should not, be given a greater measure of protection than the existing tariff gives it. They are only concerned with the probability that, if the duties on cotton goods are increased to anything approaching to the extent that is recommended by the Bombay Millowners' Association, the prices of those goods to the consumer will be presumably increased. And if the prices are increased it is only reasonable to anticipate that the consumer will reduce his consumption, and that imports will consequently decline.

3. According to the " Review of the trade of India in 1924-25 " the imports of cotton piece-goods into this country during the year 1913-14 amounted to 3,158 million yards, and the value was Rs. 58,14 lakhs. The imports in the year 1924-25 did not exceed 1,800 million yards, but the value was Rs. 69,42 lakhs. These figures, with which the Board are doubtless familiar, suggest that the Conference have grounds for their apprehension that, if the prices of imported piece-goods advance still further, the imports of these goods will still further decline. It may be urged that the interests of the carrier are of only secondary importance in the consideration of questions affecting the industries of a country. And this may be so, but it must not be forgotten that a reduction in the quantity of fine cargo such as piece-goods must re-act in the matter of freight rates on other classes of cargo. It is not only shipowners who are adversely affected by the reduction but all importers and exporters likewise.

4. In submitting these considerations to the Board the Conference do not attempt to controvert any contentions or statements which have been put forward by the various interests in the course of the enquiry. They are concerned only to show that if the large increase in import duties which has been suggested means—as it surely must mean—that the prices of cotton goods will be heavily increased, then not only will steamship owners be adversely affected, but practically all branches of the import and export trade will suffer, by reason of the resulting reduction in the quantity of fine cargo carried by the lines. This is an aspect of the enquiry which will, the Conference trust, receive the careful and sympathetic consideration of the Board when framing their conclusions and recommendations.

Witness No. 46

THE BOMBAY COUNTRY FANCY PIECE GOODS MERCHANTS' ASSOCIATION

Written Statement dated Bombay, the 23rd August 1926

SECTION I

General

1. The present depression is to a greater extent felt in Bombay mills than those in Ahmedabad and other up-country centres.

2. We cannot say whether the depression is due to any extent to the operation of world factors. The cause of the depression appears to us to be due to the following factors :—

(1) Very bad state of trade throughout the country due to bad economic conditions brought about since after the war by the exchange policy of the Government.

(2) Financial position of traders is getting weaker and weaker in recent years owing to continual fall in prices of piece goods.

(3) Japanese competition and internal competition amongst mills.

3. In the opinion of our Committee the causes of the depression are of the above character.

4. Yes, it is quite possible that some mills might be compelled to close down if they have to work longer at losses.

5. Yes, several mills appear to be making losses and some are making no profits.

6. When prices of cotton steady down to a low level, in due course trade can also steadily improve, but the effects of the continual decline in prices of cotton and cloth have proved very injurious to trade by causing heavy losses to all holders and thus further reducing their buying capacity.

7. Periodically the trade is suffering from lack of confidence in the prices of raw cotton, yarn and piecegoods, as they have been fluctuating with a steep downward tendency.

8. Prices of cloth do not show a corresponding decrease to the prices of cotton owing to higher wages for the production of cloth having been maintained.

9. There has been a fall in the purchasing power of everybody concerned in the trade including the ryots and other lower or middle class consumers, as well as all middlemen and merchants owing to the exchange policy of the Government, and losses due to the downward trend of prices.

10. As far as our experience goes of Indian habits, the prime necessities of life such as food and clothing are sufficiently provided in the first instance in the families before any investments in gold and silver are made.

11. There are doubtless very many questions which do not receive the attention of the millowners for the well being of the trade with which their industry is linked.

12. The Millowners' Association's information on this point is already before the Board and we cannot make any improvement on the same.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

13. Our association being of piecegoods merchants would not deal with this question, but the fact remains that since the loss of the Chinese market for yarn and the consequent expansion of weaving mills, the trade in piecegoods is passing through difficult times owing to increased production.

14. The Japanese competition has no doubt hit the Indian trade in yarn and piecegoods. Since the war Japan having succeeded in introducing and establishing various qualities of goods in our markets has become one of the chief causes leading to the present depression.

15. Yarn under 40s count and piecegoods such as drills, sheetings, T cloths, have already been hard hit. Certain fancy goods such as bleached, coloured and printed goods have been recently introduced in our market by Japan and are likely to prove more

competitive with Indian as well as Lancashire qualities in due course when they are widely established.

16. We have no record of these figures.

17. We cannot supply any more information beyond saying that some Japanese qualities often sell in the Indian market at such lower prices as would make it impossible for Indian qualities to compete with them.

18. All what we can say in reply to this question is that India has lost its trade to some extent in some foreign markets besides suffering in internal trade owing to Japanese competition. Burmah was a very big market for Bombay towels and napkins of all other descriptions, but since the last two or three years, Japanese goods have been pushed into that market to such an extent that it is found impossible to sell these Bombay goods even at a considerable sacrifice instead of having a fair margin in price as was the case a year or two before. Other markets which are more or less lost to our other piecegoods trade, are enumerated in Millowners' Association's reply.

20. It is very difficult to ascertain the percentage of the import of piece-goods from the United Kingdom competing *directly* with the production of Indian mills. But there are certain kinds of goods such as dhooties, grey and bleached shirtings, which can affect the trade of similar Indian made goods if they are brought in at competitive prices.

21. As said in reply No. 15 a greater portion of Japanese goods competes directly with Indian goods, in fact some qualities have been very hard hit.

22-23. Since some time after the war Italy has begun to play a more important part in the piecegoods import trade of India. Many qualities of fancy woven goods are being successfully introduced and steadily established in India at continually lower prices. As a great many styles of goods from the United Kingdom have gone out of fashion, it will be some time before that country regains the same proportion of trade as in the prewar period. In the meanwhile Italy and Japan have been introducing such qualities as are liked by the people. If the exchange is fixed at 1*s*. 6*d*. as against the prewar 1*s*. 4*d*. basis, a distinct advantage to an extent of 12½ per cent. to all imported goods is afforded and this will no doubt help towards increased imports from Lancashire and other countries. The depreciation of Japanese and Italian currency will also help towards larger imports from those countries.

24. Imports from Japan have mostly directly competed with Indian goods and to a small extent with Lancashire goods.

25. Japanese goods have had great advantage in exchange in competing with Indian goods, but the fallacy lies in the fact that Japanese competition started long before the present when the millowners have begun to feel the pinch of it. During the war, millowners were engaged in manufacturing such goods as would yield them as big profits as possible. Prices of standard and other goods went on increasing so rapidly at one time that they proved prohibitive for consumers. In the year 1918, a price controlling Board had to be created by the Government under the Chairmanship of the President of the present Board to safeguard the interests of trade and consumers. Japan we all know was quite alive to what was going on in India and although her exports to India were rising from the earlier period of the war, they rose considerably higher during the subsequent three years, *viz*., 1918-20. During this time Japan had a splendid opportunity of establishing her qualities and she had succeeded in making them current to such an extent that even upto now she has been admirably able to maintain her exports almost to the same large figures. No notice was taken of this Japanese competition in the earlier stage and opportunities, which were naturally offered to start new qualities in place of continental and some Lancashire goods, were also lost. The result is that the industry has now to face depression more keenly and protection against the unfair competition from Japan and also against the future competition which we believe is starting from Italy and Belgium has become necessary.

26. The last lines of the preceding answer cover our reply to this question also.

27. If the rupee is stabilised at 1*s*. 6*d*. against the prewar level of 1*s*. 4*d*. there will be a distinct advantage of 12½ per cent. to imports and when prices of American cotton are stabilised on a low level of prices as it now seems to be likely Indian made goods will have to suffer by competition with imported goods of qualities suitable for requirements of the greater portion of the population.

30. As far as facilities to buyers of Japanese goods are concerned they are not by any means more favourable than given by mills in India to their buyers, but European houses used to give more favourable facilities by way of credit to their approved buyers.

31. Packing is not a deciding factor in the sale of or in competing between imported goods and Indian goods though it should be admitted that folding and packing of imported goods are superior to those of Indian goods.

As to quality and finish when the direct comparison comes with Japan it cannot but be admitted that generally speaking Japanese goods are better finished than Indian goods.

32. No marked change in the regular quality of Japanese goods is found but new qualities in fancy goods have been introduced from Italy and Japan.

34. No, the tendency is for using more durable but better finished cloths which can be had at comparatively cheaper prices whether they be bleached, coloured or grey, according to needs in different seasons.

SECTION III

Internal Competition

35. To a certain extent owing to the increase of looms in Bombay and of the new mills up-country, competition has increased.

36. The Bombay mills have better labour and Bombay being a port, they can command more export trade.

37. Ahmedabad, Sholapur, Nagpur, Indore and Cawnpore, are the chief centres where the mills have some advantages.

38. Competition of the hand loom industry is not now felt in mill-made goods, though it was once felt for some time.

SECTION IV

Mill Management

41. We approve of the system of the agency management as a whole, but we consider that a great number of concerns under one management cannot be satisfactorily carried on. The system in itself is very efficient, but its success or otherwise depends upon the hands in which the management lies and upon the capital at their disposal for financing business.

SECTION VI

Costs of Production

E. SALES

89. Most mills who employ commission agents are guaranteed against all losses due to failure of dealers or non-fulfillment of contracts in case of all fair tenders and are thus secured of their position as to future risks and losses after the transactions are once made.

90. No.

92. As pointed out in answer to question 2, the weak financial position of dealers requires more financing facilities. In pre-war times and during the war, dealers were financing themselves and it was rarely in any case that financial facilities were required from outside sources. The position is now entirely changed. A great many dealers require financial facilities and cannot operate in the absence of the same. This state of affairs exists also in many up-country markets and this cause contributes to a great extent to the present state of the piece-goods trade and industry.

F. TRANSPORT

94. Freights from the United Kingdom, Italy and Japan to India are comparatively much cheaper than railway freights to important internal up-country markets from Bombay and Ahmedabad.

SECTION VII

Suggestions as to remedial measures

A. SUGGESTIONS PUT FORWARD BY THE BOMBAY MILLOWNERS' ASSOCIATION

96. As any saving of duty on machinery and stores will not be a very significant item of the cost of cloth and with a view to encouraging production of these articles in India, no reduction in this duty is desirable.

97-98. The company supertax and the town duty should be abolished.

99-100. Railway freight on all goods should be reduced to pre-war basis and the owner's risk class should be abolished. In previous years all goods were carried at railway risk, when fewer cases of thefts and miscarriages of goods were happening compared with now. A very heavy premium has to be paid for R. R. if the safety of the goods is to be assured. The charge of railway freight on an ordinary bale of cloth amounts to more than twice or thrice the profit per bale the consignor is expected to make on an average if it is a profit making period.

101. Steamship companies should also be approached to reduce their freights.

102. Trade commissioners should be appointed in foreign markets to open fields for Indian goods.

103-104. Government should link the value of the rupee with gold on its pre-war basis, *viz.*, 1*s.* 4*d.*, so that exports of manufactured goods as well as raw products could be more advantageously made from India bringing about more prosperity in the country.

If the exchange basis was so fixed, no bounties for exports or additional import duties on foreign goods would be necessary with the exception of Japan which competes unfairly with India. With the present basis of 1*s.* 6*d.*, additional duty on Japanese piecegoods to the extent of 10 or 12 per cent. and on yarn to the extent of 5 to 6 per cent. would give protection to Indian goods.

105. It should be a trial measure and further developments should be watched in the next few years.

106. The imposition of the proposed protective duties would no doubt result in an increase of the selling prices of such cloths and yarn imported and will have the effect of stiffening the prices of Indian cloth and yarn to a certain proportion according to revailing circumstances. It will have a very insignificant effect on the cost of living of the middle and lower classes but would not mean any hardship, as the internal competition will not allow prices to soar unnecessarily high.

107. A proposed additional duty would result in the increased sale of Indian cloth and to that extent the displacement of foreign goods.

108. The internal competition between Indian mills would not allow any undue rise in the prices of cloth throughout India.

109 Yes. The reasons are given in 106.

110. Raising of import duties will temporarily result in raising the price of cloth, but will not check its consumption to any appreciable extent if other factors are favourable.

111. See reply 110. Figures given in paragraph 121 of the representation of the Bombay Millowners' Association cannot be followed side by side with the figure of increase of mill-made cloth given in table 16. Total consumption of different sorts of imported cloths along with Indian goods for middle and poorer classes of people is not a fair comparison for this purpose. Past experience and figures of output and consumption given by the Millowners' Association in table 16 show, that with required protection against goods which compete unfairly with Indian goods the industry will be able to hold its own with its own productions without unnecessarily increasing the price of cloth.

112. It is difficult to presume that owing to increased duty, yarn and cloth intended for India would be diverted to such overseas markets as would unfavourably affect the position of Indian yarn and cloth there.

113. As we have said, the increase of import duty on yarn should not be more than 5 to 7 per cent. so that it could not effectively disturb the hand-loom industry of India.

114. We do not favour the scientific tariff which means import duty per lb. instead of *ad valorem* duty on goods uniformally.

B. Other Suggestions

116-117. We are not in favour of an export duty on cotton.

118. Banking facilities to cultivators, middlemen and merchants should be provided for, as the same are practically not available for the purpose of the trade for Indian made goods.

119. The position of the industry can no doubt be improved by better co-operation amongst the millowners, and by recognising mutual rights of designs and trade mark numbers on their respective qualities. Also by sticking to one basis of allowing brokerage, etc.

120. Production of finer counts and manufacture of goods from such counts can improve the condition of the industry, but it is said that the quantity of Indian cotton of the required staple is limited and the labour is not efficient. At the present stage of progress it is difficult to imagine when our mills are going to produce such fancy cloths as are imported from foreign countries and for which there is a sufficient demand in India.

122. Yes, there is good field in the Calcutta market for dhooties, chaddars, etc.; and mills are now diverting their attention to a greater extent to that market. Cheaper transport facilities by railways and faster service by sea are essential for the purpose of developing the trade for that far off big home market.

123. Waste which can be utilised is being used to a certain extent in manufacturing coarse khadi cloths, blankets, etc.

124. Yes, greater attention should be paid to bleached and dyed goods in suitable qualities by cheaper processes than at present. No start has been made in printed goods so far, but it can well be left alone because of the difficulties shown by the mill-owners, there being sufficient field for other goods.

124. Yes, the effect of the abolition of excise duty has been absorbed by the present depression.

125-126. As we have already pointed out, prosperity in trade brings prosperity in relative industries. All possible measures to revive the trade are therefore urgently necessary over and above giving protection to the mills against unfair competition from foreign countries.

Witness No. 46

THE BOMBAY COUNTRY FANCY PIECE-GOODS MERCHANTS' ASSOCIATION

Oral Evidence of Mr. D. M. Thakersay recorded at Bombay on the 31st August 1925

SECTION I

General

President.—You have come this afternoon, Mr. Thakersay, to represent the Bombay Country Fancy Piece-goods Merchants' Association ?
A. Yes.

Q. How many members of that body are there ?
A. We are now about 70 although during the war at one time we were 300.

Q. Was it the after-effects of the war that reduced your numbers so considerably ?
A. Quite so.

Q. When was the Association started ?
A. It was started about 25 to 30 years ago.

Q. Does it deal only in fancy piece-goods ?
A. It deals in country made fancy piece-goods.

Q. What do you call fancy piece-goods ?
A. Goods which have a fancy effect in cloth, that is coloured piece-goods.

Q. Coloured, printed and dyed ?
A. No. No printed goods are produced in India.

Q. Not machine printed, but hand printed ?
A. The goods we deal in are goods woven from coloured yarns, and dyed cloth; there are also fancy goods made out of grey cloth.

Q. When does grey cloth become fancy cloth ?
A. When some design is produced on that cloth it is called fancy cloth.

Q. Would just a border make the difference ?
A. Yes, then the cloth would come under the heading of fancy goods. If you have a stripe or line on grey cloth it becomes fancy cloth.

Q. Even if there is only a border ?
A. Yes, then the cloth becomes fancy dhoties.

Q. Where is the headquarters of your Association ?
A. The Mulji Jaitha Cloth Market hall.

Q Have all the members got shops in the market ?
A. Yes.

Q. Are they strictly confined to country goods only ?
A. Yes.

Q. Under an agreement with your Association ?
A. Not quite so, but those who are members of this Association chiefly trade in country made goods.

Q. They do not trade in both ?
A. Not at present.

Q. Have they done so in the past ?
A. Yes, during the war time when the number was so large some of the merchants were also dealing in imported goods and Japanese goods.

Q. What I want to know exactly is whether it is a rule for admission to your Association that members should confine themselves to country goods ?
A. There is no rule like that, Sir.

Q. It just happens that the majority of them do so ?
A. Yes.

Q. From your special experience of this line can you tell us how far you consider that the present depression in the cotton textile industry is due to the effects of that heavy slump when the exchange went down ?
A. Since 1919, after the collapse of the exchange there was a crisis in 1921-22 in the piece-goods trade. The effect of it was that the merchants who had ordered different goods from the United Kingdom were put to so heavy a loss that it was very difficult to liquidate the goods which had been thrown on the market. It was a very strong blow both to the merchants and importing firms and the result was that prices came down very rapidly and brought about ruin for several merchants. The effect of that

was also reflected on our country made goods. As you will find, the price of ordinary long cloth, about the middle of 1920, was about 30 annas a pound. It dropped down to 22 annas in 1922. Within that period there was a drop of eight annas per pound in our country made piece-goods and that was quite sufficient to ruin many of the merchants dealing in country made goods. That is the reason why the number of our members in the Association has been so reduced. Those who have remained, if I may say so, are not sufficiently strong to carry on a satisfactory business on any large scale. The paucity of the financing facilities in Bombay to merchants is very keenly felt at this time. Especially in country made piece-goods the ordinary facilities are not afforded because the banks think that the contents of the goods which are not known to them may be found to be different or something of that sort.....

Q. I do not quite follow.

A. In the case of the imported goods there are authenticated invoices and from those invoices the merchants can get advances on hypothecation of goods, whereas that is not the system for the country made goods. Besides that it appears that the tendency of the banks here is not to give any advances on country made piece-goods, I do not know why.

Q. You mean country piece-goods held by merchants ?

A. Yes.

Q. The banks will give advances on piece-goods held by mills ?

A. To the mills they have been doing so. I do not think they are getting quite sufficient, but there is a system and they have been giving advances to the mills.

Q. But not on banks held by merchants ?

A. Not to the merchants.

Q. Do you think that has been the most important of these three causes you mention ?

A. The first two causes, as I put them, are similar. In support of these two causes I have said what I had to. As to the third cause, the Japanese and internal competition amongst the mills, it can be remedied to a great extent by Government, by imposing a protective duty on the Japanese goods.

Q. But a protective duty on Japanese goods would not prevent internal competition amongst the mills ; would it ?

A. There is the surplus quantity of Indian goods which we are carrying, I mean on an average about 75 thousand bales. In good times the stock is about 50 thousand bales. In bad times it is about one lakh of bales. So, I make out an average of 75 thousand bales. Now, what I find is that the Japanese are importing goods worth five crores of rupees. So the surplus is a little less than the Japanese imports and if you were to put a check on Japanese imports the cloth which the mills are forced to hold would soon be cleared up and they would get good relief and the internal competition will also thereby be much decreased. The internal competition is due to the stocks which the mills have to hold with them. If they carry less stock, there is less competition. So it is the heavy stocks which bring about a fall in the market when the mills are eager to sell.

Q. What I wanted your views about was which of these three causes you mention here you regard as the most important ?

A. I consider them equally important.

Q. What do you consider is necessary to bring about a feel ng of confidence on the part of the purchasers ?

A. I do not think there is anything that either Government or anybody else can do. It is more or less a world factor. Cotton prices in America are the ruling factor for our Indian cotton, especially at this time of the year when we have got conflicting reports from America. When there are fluctuations in prices for forward contracts our market is affected.

Q. Then you are of opinion that until people think that prices have absolutely reached rock bottom there will be no change ?

A. If prices keep steady, then the people can have confidence in those prices.

Raja Hari Kishan Kaul.—Would the uncertainty disappear even if an additional import duty was imposed ?

A. Confidence as regards prices ? I do not think that would have any effect.

Q. Even if an additional import duty is imposed this uncertainty will continue ?

A. It will have a beneficial effect on the market as a whole, but then that cause, the fluctuating prices of cotton, would remain.

Q. The uncertainty about the future price of cloth ?

A. Yes.

Q. You think it is an important factor ?
A. Yes, I think so.

Mr. Subba Rao.—You said goods were imported in 1919-20 in large quantities and their prices depressed the prices of the Indian made goods. Is that effect over now, or is it continuing ?
A. The decline in prices is steadily continuing even now.

Q. But not on account of that excess ?
A. The effect of that excess was felt immediately, within those two years, but now the effect is on account of the price. Cotton is falling. Between last year and this there has been a difference of about 20 per cent. in the price of cloth.

Q. On account of the decline in the price of raw cotton ?
A. Yes.

Q. But the effects of the large purchase of foreign cloth are over now ?
A. Those goods have already been liquidated.

Q. You said something about financing, that banks are not willing to finance merchants. It is possible to-day, under the present circumstances to make the financing of merchants easier ? Can you suggest any method ?
A. I cannot suggest any specific method. What I can say is that if the Government can make any special arrangements for it, or if the banks take it into their heads to help the trade, they can do it.

Q. How can the Government help ?
A. As I say in the last part of my reply, the prosperity in the industry depends on the prosperity in the trade. Well, the suggestion which I am going to make may be rather out of the way, but if Government can establish special banks for this purpose in important business centres of India to help merchants and give them advances on hypothecation of goods they will be doing a great deal towards improving the trade of the country.

President.—I would like to be clear about that. Do I understand you to say that a bank such as the Imperial Bank refuses to advance on the hypothecation of merchants' goods ? Is that your point ?
A. Well, Sir, as a general opinion it is so. If you want any specific instances I have not got them with me, but as far as I know they do not make these advances.

Q. The Imperial Bank does not make advances on merchants' goods on hypothecation ?
A. Because, their system of advance is this—they advance on hundis endorsed by two parties and generally they do not like to give advances on single security.

Mr. Subba Rao.—Not even on hypothecation of goods ?
A. But hypothecation of goods cannot be sufficiently arranged in the case of the merchants.

Q. They can hand over full control of the goods ?
A. Yes.

Q. And even then the banks are unwilling ?
A. If the merchants have got a big quantity of goods in their hands and if they want to pass on a portion of the goods to the banks they can do it, but even in such cases I do not think there is any facility for merchants to get advances.

Mr. Majmudar.—You said that, when cotton steadies, the price of cloth will settle down and then there will be a good demand. Will the mills be able to sell at a profit in competition with Japanese goods, or will the competition of Japanese goods continue as at present ?
A. It will continue unless something is done to protect our goods, because Japan will also be able to get cheaper cotton.

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

President.—Although your Association deals almost entirely in country piece-goods, I suppose you have a certain amount of experience of Japanese and English goods which compete with them ?
A. Yes, Sir. As far as English goods are concerned, I am one of the importers of English goods and I have had connections of about 30 to 40 years with some Manchester houses. I cannot give you any reliable opinion as to Japanese goods if any details are required.

Q. I do not know that I want details specially. What we are trying to find out is the extent to which there is a range of competition between Indian goods, Japanese goods and the goods from the United Kingdom. As far as we can gather there are goods made from counts between 30s and 40s in Japan, the United Kingdom and India.

A. Well, I think I would put aside the case of the United Kingdom altogether while speaking about this competition, because after the war the quantity of goods which was imported besides having decreased has undergone such a change that they do not come in direct competition with Bombay mills at present, especially owing to higher prices. It is the Japanese goods, *viz.*, the various qualities of grey goods, etc., which can very easily and very well be substituted for the Indian goods, that are creating this competition.

President.—That might be so. But what we are trying to find out, Mr. Devidas, is whether any English goods made of counts between 30s and 40s come in at all and if so, to what extent.

A. I cannot give the exact percentage. But there are certain classes of goods, such as dhotis, grey and bleached shirtings.

Q. What counts of yarn are those grey goods from England made from ? Have you any idea ?

A. I think between 26s and 40s.

Q. Don't those compete with Japanese goods and with the production of the Indian mills ? Would not anything made from yarn between 26s and 40s come into competition both with Japanese and with Indian goods ?

A. To a certain extent, if the prices are near each other. But as I said the price at present of the United Kingdom goods is comparatively higher and these goods are bought by those people only who could afford to pay higher prices.

Q. If they are comparatively higher, why are they selling at all ? If they are made from the same counts of yarn as the Indian and the Japanese goods, how is it they find any sale at all ?

A. They are made of better class of yarns and are better finished than the locally made goods. The local goods go largely to the ryots and poorer class of people.

Q. Are not the Japanese goods much the same ?

A. The Japanese goods are generally under 32s. They do not go above that.

Q. There can be little or no competition between the Indian, Japanese and the United Kingdom goods above 40s. But is there not in goods between 30s and 40s ? Is there not a fair amount of competition in these ?

A. I do not think that the competition is felt at present. Because, as I said there are people who are used to these better cloths, and to pay higher prices, but the percentage of these mills being now comparatively small, the competition has dwindled down at present.

Q. Your point really is that the Japanese have driven the United Kingdom goods out in that grade ?

A. The Japanese goods have not yet driven out the United Kingdom goods, but I am afraid they might in future. They are trying to imitate some of the United Kingdom goods such as the dhotis, bleached goods and some fancies.

Q. You say that a great many styles of goods from the United Kingdom have gone out of fashion. What sorts of goods are those ?

A. A number of printed goods.

Q. What sort of printed goods ? What are you specially thinking of ?

A. Prints, chintz and some other woven goods.

Q. What have they been replaced by ?

A. That I cannot say. But the imports from the United Kingdom have decreased by 50 per cent. in quantity and that decrease relates to all kinds of goods. The percentages for the different kinds are different but I think most of the prints and chintzes, and other finished goods, have been ousted.

Q. There is another point on which your experience will be of great use to us and that is when you say that, generally speaking, the Japanese goods are better finished than the Indian goods. Don't you think that that is a matter which weighs considerably with the customer and that perhaps it may be a tremendous help to the Japanese goods ?

A. I don't think it gives them much help, although when qualities and qualities are compared together, a preference might be given to the Japanese quality.

(The witness was shown certain samples of Indian and Japanese fine grey goods.)

President.—What do you think about the stamping on these goods ?

A. They have a clear stamping. As to the stamping of Indian goods, I do not think we can find any fault and the stamping does not affect the sale of the goods.

Q. Does it not give a good appearance ? If you see a good stamp cloth do you not think that the quality of the goods is more likely to be satisfactory than when they are badly stamped ?

A. Yes ; it gives a good appearance. I would like a cloth which is stamped neatly. But I would not pay a higher price for the matter of that.

Q. But you are a good judge of qualities. Might not the stamping weigh with people who are not so experienced as you are ?

A. I do not think they get any advantage on the point of stamping.

Q. Except the general good impression that it gives ?

A. Yes ; it gives a good impression to the wholesale buyer. But when the goods go to the smaller man, the stamping altogether disappears. They have to sell yard by yard so that stamping is quite superfluous. It is only between the mill and the merchant or the merchant and wholesale buyer in the market that stamping comes in. As soon as the goods go the small market, the stamping is of no use.

Q. How far do you consider that the Japanese have an advantage over the Indian mills in the desire they show to meet the wishes of the individual customers ?

A. Since the war, they have introduced their goods and they have been able to continue their goods till now to an extent which has proved very damaging to our industry.

Q. What I want to know is whether you, as a large buyer of fancy piece-goods and one having a large experience of that trade, consider that the mills here are wide awake in regard to the demands of their customers ? Have they got into a groove and do they consider it too much trouble to change, speaking generally ? Your general impression on a matter of this kind would be specially valuable.

A. By way of varieties ?

Q. Yes, general alertness ; I want to know whether you consider that the mill-owners have got too much into a groove or whether they are putting on the market the lines which are most likely to pay ?

A. There is a little drawback on the part of the millowners in this respect. We do not find as many new qualities and styles manufactured by them as we find come from the United Kingdom. As for the Japanese goods, lately they have been making efforts to introduce new qualities in fancy goods also.

Q. Then, speaking generally, you consider that the Japanese and the United Kingdom manufacturers are more alive to the necessity of variety than the Indian millowners ?

A. I should say they are making their best efforts to introduce their cloth at the best advantage. When they find that their old qualities are not fetching good prices, they make every effort to introduce new qualities and take their chance. But I may say at the same time, so that the matter may not be prejudiced, that I find that in the case of Indian made goods, the tendency at present of the consumers is, as I have said somewhere in my written statement, to buy more durable cloth and at as cheap a price as possible, owing to the economic condition prevailing and that the mills are now trying to put on the Indian markets goods of such cheap descriptions as are generally wanted by the greater portion of the population of the country.

Q. Those two views of yours seem to be a little conflicting.

A. These are the facts. In one direction, these exporting countries are making efforts to introduce new qualities ; there is no doubt as to that, because they find that by so doing they can get better profits. But here in India there is such a wide field for Indian goods and especially for as cheap goods as possible, that almost all the goods which are being produced by mills are being taken up by the consumers who cannot afford to pay higher prices for other goods.

Q. Then how is it that stocks of such goods are so high here at the present moment ?

A. Because of the competition created by the Japanese goods. They have been under-selling and thus a balance of goods is generally left in stock in India.

Q. Which of the three competing countries do you consider answers best to the demand for durable and better finished cloth ? Which of them best meets the requirements for durable and better finished goods ?

A. I am thinking of the Indian goods. Out of the Indian goods, those which are better finished are taken up very easily.

Q. I do not think I quite reached the point. But is it your point that those of the Indian mills which supply durable and better finished cloth are doing

better than the ones that do not ? Or do you consider all Indian cloth equally good and durable ?

A. I cannot say all are equally well finished. That cannot be said of any goods, even of those manufactured by the most advanced countries. There is a difference between goods and goods.

Q. Quite so. But do you think that the consumer is a very good judge of durable and well finished cloth ? Otherwise, why did he buy so much of the Ahmedabad size in old days ?

A. That is an old story, when they had a vow for using swadeshi goods. It was then that they made big purchases of Ahmedabad cloth; and when they saw that they burnt their fingers, they were cautious. At times, when there is a sort of spur or some agitation or something of that sort, they do not mind these things.

Q. Is it your view that the consumer is more wide awake in regard to cloth than he used to be ?

A. I think the consumers want as cheap goods as possible and durable also. That is the tendency at present. The finish, stamping and other details are more seen by the immediate merchants who buy from the mills or from the wholesale buyers.

Raja Hari Kishan Kaul.—You say that no marked change in the regular qualities of Japan is found. Was not there a dislike for the Japanese goods some time ago and is not there a particular liking for the Japanese goods now ? Have you perceived the change ?

A. There is no reason why there should be a special liking for Japanese goods, except that they are comparatively favourable in price and quality.

Q. We were told in the market here that if there are more or less equally good pieces of cloth, one from Japan and another from the Indian mills, the purchaser would like to take the Japanese piece even if he had to pay a little higher price.

A. I do not think so.

Q. We found that a particular kind of Japanese shirting could sell at higher rates than the local production. Is that so ?

A. Japanese shirtings, I think, are directly up against United Kingdom shirtings. If you take shirtings into consideration, then the Japanese shirtings are displacing the United Kingdom shirtings, because the quality is of such a peculiar nature and it is comparatively cheaper than the United Kingdom cloth; and that is why they have been able to push their goods.

Q. Are the India mills not manufacturing similar qualities of shirtings ?

A. They have been selling their own qualities, but not of such high grade as the Japanese and the English. The English qualities are made of American cotton; also the Japanese use in their mixing certain proportion of American cotton.

Q. You do not think that the quality of the Japanese cloth has improved to any appreciable extent ?

A. The quality has been the same almost for the last 4 or 5 years. We do not find any change.

President.—There used to be many complaints that their goods did not come up to the samples.

A. Often their goods do not come to the samples.

Q. Is that true now ?

A. I often hear these complaints even now.

Raja Hari Kishan Kaul.—With the exception of cheaper prices, you do not think the Japanese goods have any other advantage in the market ?

A. I do not think so.

President.—We should be glad of any information you can get for us about Japanese prices, that is, about the prices of Japanese cloth as compared with those of the Indian goods of similar standard. Any information on the point you can collect in the course of this next month or so, we should be very glad to have.

A. I understand that a dealer who had done a large business in Japan came here this morning. I heard he was bringing some samples.

Mr. Subba Rao.—Does your Association go in for export trade or only for the home market ? Do you send out goods abroad ?

A. Yes; we sell them here to outside merchants.

President.—You don't do any direct export business ?

A. No. The agents are here and merchants from other markets buy these goods.

Mr. Subba Rao.—From the members of your Association ?

A. Yes.

Q. Is there any change in the taste of the people in those markets ? Do they prefer fancy goods to plain goods and so on ?

A. I am told that many of the qualities which they were buying from merchants in Bombay have been ousted by direct exports from Japan, although we find that the exports generally are not much reduced. As far as our merchants are concerned, they find that these export buyers who were buying big quantities have now reduced their requirements to a very great extent. That is due to direct imports to those countries from Japan and other places. They now buy less from our market.

Q. Is it your experience that you are sending to these markets less of your goods than before ?

A. Yes.

Mr. Majmudar.—You refer to the stoppage of sale of Bombay towels in the Burma market. When was that ?

A. Two or three years back.

Q. What is the reason ? Is it due to the difference in price between the Indian towels and the Japanese towels ?

A. I have not compared exactly the prices quality by quality. But I have my personal experience in this line since last year and I find that there is a very large reduction of the sale of these goods to the Rangoon and Siam markets. They were very big markets at one time for Bombay towels ; but we have seen later on from the customs of the people of those places that the Japanese have made an inroad on those markets and that they are selling this stuff very cheaply ; and hence those markets cannot afford to buy our goods.

Q. You have no idea of the comparative cheapness, whether it is 5 or 10 per cent ?

A. If it was 1 or 2 or even 4 per cent difference, they would not mind buying Bombay goods, because they always prefer them. So I think the difference must be something more than 5 per cent ; may be 8 or 10 per cent.

Q. You also refer to the Italian goods. Which are those qualities, coloured or grey ?

A. Coloured yarn woven goods

Q. Do they compete with any of the Indian mill made goods ?

A. They do not compete directly but to a certain extent they do compete, because the styles of the qualities, the colours of the yarn and the texture are similar to those which are produced in India, in Bombay especially. But the Italian goods are made rather from finer yarns.

Q. They are not displacing any of the Indian made goods ?

A. They are not ; but they are competing to a certain extent ; because if a man can afford to buy that cloth at a little higher price, he can choose between the two. If he had not the Italian cloth, the Indian quality would also serve his purpose.

Mr. Majmudar.—Are not the Italian goods cheaper in price ?

A. Because they are finer they are more costly.

Q. Then you are referring to the credit given by European houses. Is the same credit given now ?

A. No, that is rather difficult.

Q. The Japanese people are not giving any credit ?

A. No, they do not give any credit.

Mr. Subba Rao.—Are there any cash transactions in Japanese goods ?

A. Yes.

President.—By " cash transactions " you mean payment within a week ?

A. Yes. The same system prevails here for Indian goods.

Section VI—Costs of Production

(*a*) *Sales*

Q. The only point that you refer to under this head is in regard to sales.

A. Well, Sir, I do not think I can throw much light on that.

Q. Not on sales ?

A. Yes, on sales I can speak ; sales are conducted here in two ways. Most of the mills employ commission agents and others have got their own depôts and shops. Commission

agents are responsible not only for sales but they guarantee payments and the fulfilment of all contracts by the dealers.

Q. They take all the risk ?
A. Yes. As soon as the sale is completed, the mill is quite free. Whatever the condition of the market the selling agent is responsible. And the commission which is paid to-day I think is on a very moderate scale. Compared with the import trade that system of employing commission agents is cheaper.

Q. Does your Association, the Country Fancy Piecegoods Merchants' Association, consist of commission agents, or are you the people next on the list ? Through how many people does the cloth pass from the time it leaves the mill godown and it reaches me—if I go and buy cloth in the shop ?
A. You mean when they are put down in the Bombay market ? You want to find out through how many hands it passes before it goes to the Bombay market, or to the upcountry market ?

Q. Take both.
A. They are put in the Bombay market only through these commission agents.

Q. That is, the members of your Association ?
A. Yes, and other merchants.

Q. And from you where do they go in Bombay, to the retailers' shops ?
A. Yes.

Q. And when they go upcountry, where do they go next ?
A. Upcountry buyers buy from the merchants in the market. The goods go upcountry and when they reach there the merchants have got regular markets there, in all the important places, Delhi, Cawnpore, Amritsar, Lahore and elsewhere and the people from the surrounding villages come round and make their purchases from those shops.

Q. How many more hands do they pass through after they leave you ? Is there only the upcountry buyer who has to sell the goods in his shop to the villager ; or does it pass through yet another hand ?
A. The upcountry buyers sell through their own shop and the village people come and buy there. Of course in Bombay between the merchants and the upcountry buyers there are brokers who only get a small commission of four annas per cent.

Q. What do they do exactly ?
A. They point out the direction. They take the buyers from the upcountry to the proper places where they can get the qualities required, because they know better about the shopping. They take the upcountry people to the proper places to give them their requirements.

Q. Who pays the commission ?
A. The sellers.

Q. That is you ?
A. Yes.

Q. The Bombay millowners say that the rates for brokerage, discount and sahi have not changed since 1913 ?
A. No, there is no change.

Q. In other words that you are the only people in the whole of the cotton textile industry whose charges have not gone up in the last 13 years ?
A. Well, Sir, these are the charges. These charges are fixed for all goods, imported goods as well as Indian goods. They have been fixed for very many years and it is not likely that any change will take place in that. It is only a custom of the market. These are the discounts they refer to. In Question 91 they refer to discounts which are given on the sale price of goods.

Q. On Indian piecegoods brokerage is allowed at the rate of $\frac{1}{4}$ per cent. Who gets that ?
A. These brokers.

Q. And the discount of $\frac{3}{4}$ per cent. is received by the merchants ? In the case of the grey goods the discount is $\frac{1}{8}$ per cent ? Who gets that ?

A. Merchants.

Q. I want to make quite clear what the members of the Association get out of it ?
A. They buy the goods on their own account. The merchants buy the goods on their own account. They make profits as well as losses. It is not a fixed percentage from any side but it depends on the market. They might get two or three per cent.

Q. You buy the goods on your own account and you get a discount of ½ per cent. on grey goods and ¾ per cent. if it is fancy goods and then you sell them at your own price ? The price has nothing to do with the mill ?

A. Yes, and I have to give the discount. I have to give it back to my buyers. I have only to add on my profit. The merchant gets the same discount. I shall only have to put up my profit according to the times.

Q. I understand, but then, where is the brokerage ? The broker may be between the upcountry buyer and you, but there is no broker between you and the mill ?

A. Not always but often times there are brokers and they get their brokerage also.

Q. Brokers between whom ?

A. Between the mill and the merchants.

Q. Between the merchants here ?

A. Yes. That is paid by the mill. Over and above this discount they also pay ¼ per cent. brokerage. If there is a broker between the merchant and the mill he gets ¼ per cent. If there is no broker and the merchant in Bombay buys direct from the mill that brokerage has not to be paid to the broker, but it is paid to the merchant.

Q. But can't every merchant in Bombay buy direct from the mill ? Why should he need a broker when he is on the spot here ?

A. Everywhere there are brokers employed, and there is a good deal of facility. One has to attend to his other businesses, shopping and other things, and besides that these brokers know much about the ruling prices of certain qualities. They go round the market enquiring of the prices of various goods, and so on. There is a certain advantage in engaging brokers.

Q. They go round looking for what business there is to be got hoping that they may be able to turn their knowledge of the conditions prevailing generally, to good effect ?

A. Quite so.

Q. We can hardly expect you to give an entirely unbiassed answer to this question, but what I want to ask you is, which is the better system, the system of direct sales by mills, the system of sales through their shops or through commission agents ?

A. I may tell you that since the beginning of this year I have also taken up agency business of a group of certain mills in Bombay. I may further tell you that my commission is so much cut down comparatively with the commission which the others get that I do not know whether I would come out quite all right at the end of the year, because of the heavy responsibilities which are involved on a commission agent. As I say he has to make forward sales extending to several months. He has to take the risk of the market. If the seller to whom the goods are sold is unable to take delivery and fails, he has to bear the loss, and as the times are such, that such occurrences are frequent, I think it is more to the benefit and advantage of the mills that they employ these agents.

Q. Very few of your Association are commission agents ?

A. Yes.

Q. The commission agent takes the whole responsibility for the whole outturn of the mill ?

A. Yes.

Q. Does that mean that when a merchant wants the production of a line from a particular mill he has to go to the commission agent ? He cannot get it direct from the mill ?

A. He has to go to the commission agent. It is the business of the commission agent to sell the goods.

Q. That was not quite what I was trying to get at. I want to know whether the system of sales through agents or the wholesale dealers is better than the system of sales by the mills through their own selling agencies ? The Nagpur mills, for instance, have shops scattered about in Calcutta and elsewhere. Which do you consider the better system ?

A. I consider that the better and safer system for manufacturers is to employ selling agents. Mills are manufacturers. I think even in the whole of the United Kingdom where there are so many manufacturing concerns as well as factories for dyeing, printing, etc., they have to pay their undivided attention to the business of manufacturing the goods to the best advantage. If they take up the job of selling the goods I do not know whether they can do it to perfection as the selling agents do. In the United Kingdom as you are aware the goods, grey goods, if they are sold in the bleached or printed condition have to pass through different mills. The process there is not that one mill does the whole thing completely. The merchants buy grey, then they go elsewhere for bleaching, or if

they are to be printed they go to the printing works. Even those goods go into the hands of the merchants who are there on the spot. I have made several efforts to get my supplies of goods direct but always refusal has been the result. The mills say that it is not their business to give direct supplies, they would supply us goods through proper channels and that we must apply to such and such parties. I think that principle is a sound principle. The manufacturers have to attend to so many things and if they take up this job of selling I do not know whether they can do it so well as it ought to be done

Q. You do not believe in manufacturers also being salesmen ?
A. No, Sir, I do not.

Q. Do you consider that the commission agents can keep you sufficiently in touch with the demands of the consumer ? That is my point. Supposing one manufacturer is much more efficient than another, who keeps him in touch with the local demand ? You consider the commission agent is sufficient to keep him in touch with local requirements ?

A. Yes, Sir. It is his duty and he does it. If he does not do it he himself suffers. If he does not push forward the sales, if he does not push forward the cloth, his own business suffers and the mill might ask for an explanation from those people. It is not that they are earning commission very easily. Over and above that there is one point, a great disadvantage to the mills selling these goods at their own hands, and that is of holding stocks. One of the duties of the commission agent is to finance the goods which are sold. As soon as the delivery is due for a certain month the quantity of goods is to be taken up by the selling agent and he has to pay for the whole. That is one of the extra responsibilities which rests on him.

Mr. Subba Rao.—What is the relation between the selling agent and the guarantee broker ? Are they the same persons ?

A. The same persons. The whole responsibility on the commission agent is there, as guarantee brokers, as selling agents and to a certain extent as financiers for the goods which are sold.

Q. The selling agent is a guarantee broker ?
A. Yes, he is a guarantee broker.

Mr. Majmudar.—You referred to the system of the English mills selling only to shippers. Are you sure that they sell only to one shipper ? They might be selling to two or three different shippers. They might be declining to deal directly with Indian merchants but all the same they might be selling in England to two or three shippers, especially when selling their products for different markets ?

A. That is so. But then in that way they sell different qualities to different dealers. They confine their cloths to the different firms there.

Q. But they do not confine themselves to one shipper only ?

A. In some cases they do, but in other cases they sell to more than one firm. There too I may tell you that the firms are acting as merchants and not as commission agents with a fixed commission as is done here in India. They are acting as principals and they can make such profit as circumstances allow them.

Q. And they would make losses also if the prices go down ?
A. Certainly.

Q. That means that the English manufacturers are dealing wth various merchants and not selling their products to one firm only ?

A. Both ways. Some confine themselves to one merchant; others may be selling to more than one merchant. If you do not mind, I might explain further. Take two buyers like Rallis and Graham and such other big firms. The manufacturers completely confine themselves to them. They do not go past such big houses where they can get sufficient orders. In the case of small merchants, small exporters, the manufacturers have to rely on a number of people and have to deal with more than one.

Q. Then you refer to the merchant, the guarantee broker or the commission agent having to take up the stocks at the end of the contract terms. If the mills are having contracts with various merchants at different centres, then the mills will have the advantage of so many merchants taking up the goods at the end of the delivery period instead of only one merchant or one firm taking up the same and thereby it will be easier for the mill to distribute its goods at the end of the delivery period ?

A. I think the risk is wider. The upcountry people to whom they may be selling cannot be well known to them and I have heard that in some cases they had to burn their fingers.

Q. That is to say, they are not cautious ?
A. That is so, they cannot be expected to know the standing of so many merchants.

Q. Otherwise they will be able to distribute their goods better at the end of the delivery period ?
A. If these people to whom they have sold are able to take delivery and pay for it.
Q. Certainly, in the case of reliable merchants.

SECTION VII

Suggestions as to remedial measures

(a) Suggestions put forward by the Bombay Millowners' Association.

President.—Passing on to the next section, Mr. Thakersey, I see your Association is not in favour of the reduction of duty on machinery and stores as it would not make much difference. Every little helps. What is your objection to it ?
A. My objection is that if for such stores there is a small duty such industries may be started and encouraged here in India.

Q. What sort of industries are you thinking of ?
A. I am thinking of sundry machineries, bobbins and all those things.

Q. But that industry has not yet been started, has it ?
A. If it has not, it has to be.

Q. In the meantime this small reduction might be of help ?
A. It is to a very small extent.

Q. It is a very small matter, but like most things when we are dealing with the mill industry it is a small matter individually but collectively it makes a substantial difference to the industry.
A. But in that way we are putting such industries to disadvantage.

Q. What industries are you referring to ?
A. Any sorts of stores which might be supplied here locally are welcome. We want such industries here in India.

Q. But are they in existence at the moment ? Is there any industry existing at this moment which this reduction or abolition of the duty on stores and machinery would affect in any way ?
A Well, we have steel works and out of that we can expect when circumstances are favourable these machineries to be manufactured here.

Q. There is nothing here at present ?
A. Not to a very appreciable extent.

Q. You suggest that the railway freight on all goods should be reduced to pre-war basis ?
A. Yes, Sir.

Q But have not railway costs gone up like everything else ?
A. They have gone up, but I think within the last two or three years railways have been making good profits. Besides that, if necessary some retrenchments also must be made. As I have said the freight is now telling very heavily on the cost of the goods when laid down in upcountry markets. In Question No. 91 you are trying to show what additions were being made. But here the railway freight is such a big item that a merchant upcountry, in a profit-making town, would hardly make as profit ⅓ or ½ of the amount of freight which he pays for his goods to be carried there.

Q. Of course, both imported and Indian piece-goods are under the same handicap there ?
A. They are, but this is a disadvantage, also. In the case of the imported goods there is a special advantage and that is that on all ports these imported goods go direct by steamer—Madras, Calcutta, Karachi, all these places get their goods by sea from the United Kingdom and Japan. If Bombay goods have to go to Calcutta they have to add a very heavy cost of freight against imported goods in Calcutta. In the same way in Madras and in Karachi. So the comparison of imported and local goods having to go by rail does not lead us to any good advantage because these imports in these important sea ports come direct. And in regard to this question of freight, Sir, I would draw your attention that since R. R. system has been introduced a very great premium on the actual freight has to be paid for that class. Besides the increase in actual freight for R. R. there is a great premium.....

Q. How long ago was that R. R. system introduced ?
A. Not more than ten years before.

Q. But apparently from the Appendix VI to the Millowners' Association's reply it was in force in 1913.
A. Freight to Calcutta from Bombay has increased by 175 per cent. Calcutta is a very important market for Bombay goods.
President.—That is a mistake. It is 73 per cent. really. It is a misprint. It is for Nagpur that it has gone up to 175 per cent.
A. Yes ; but even then, there is an increase of 73 per cent. since 1913.

Q. In your answer to Question 110 you say, ' raising of import duties will temporarily result in raising the price of cloth, but will not check its consumption to any appreciable extent if other factors are favourable '. But is not that ' if ' a very big one ?
A. I think it is a big one. But the solution is this. For the time being, a slight increase in the price may be seen. But at present the difficulty which the mills are experiencing is due to the extra stocks which they have to hold over and above those which are sold and the quantity of the Japanese imported goods is almost the same—approximately as much as the stocks which are generally held by the mills. So if by levying an extra duty on Japanese goods we relieve the stock of the Indian goods to that extent, that would not allow the prices to go up to any appreciable extent. We displace a certain quantity and we put on the market the same quantity which we have got extra in our hands, in the mill godowns.

Q. But unless you put up the prices to any appreciable extent, how are the mills to be benefited, merely by getting rid of their stock ?
A. What I say is that it reduces the competition between the mills. At present this extra quantity combined with the Japanese markets makes a rather big quantity of goods on the market. When we levy 10 to 12 per cent. extra duty on the Japanese goods, I think the imports of Japanese goods will be considerably decreased and that will reduce the competition between the mills also to a great extent. Because then there will not be much extra quantity for them and there will be no necessity to clear off their stocks by cutting the prices.

Q. If they get higher prices, does not that mean less consumption ? Then you get back to where you were before.
A. No, Sir. As we have been seeing, the prices of cloth have been fluctuating to a very great extent. This effect of the duty on Japanese goods will be so very insignificant compared with the other fluctuations of prices as we have been seeing in the past that they will not check the sales of the goods.

Q. Then you think that the real effect of the 12½ per cent. duty would be hidden away by other considerations ?
A. Well, it would be felt for some little time and then be absorbed, to such an extent as would enable the mills to sell their goods to a little more advantage.

Q. You say you ' do not favour the scientific tariff which means import duty per lb. instead of *ad valorem* duty on goods uniformly '.
A. Yes.

Q. What are your objections to it ?
A. My objection is that with such a process we will be imposing a very heavy duty on heavier goods which are used by the ordinary classes and poor people in the country, whereas the other goods which are used by well-to-do people have to pay a less duty. So I am not in favour of a scientific duty.

Q. I quite appreciate your objection in that connection, Mr. Thackersey. What I consider is meant by a scientific tariff is merely a tariff based on weight per pound and number of threads in a square one inch side. You could so frame a scientific tariff that you could get 11 per cent. *ad valorem* on everything as now. It does not necessarily mean that you would have a heavier duty on the coarser goods or a lighter duty on finer goods. You could so frame it that you bring in exactly the same amount of revenue as at present.
A. Yes. But I do not understand where the protection comes in.

Q. It is not necessarily a question of protection.
A. By getting the 11 per cent. duty no protection comes to the Indian goods ; and not only that, but you are giving a very great advantage to the imported goods and the prices which I see in this schedule are fixed so low that in fact in some cases, the effect of the duty falls down to 25 per cent.

Q. The schedule you are referring to, Mr. Thackersey, is a schedule which is drawn up with the idea of keeping the duty at its present figure. You do not consider it would have that effect ? It is not a protective schedule at all. It is not drawn up with any

such intention. It is merely drawn up with a view of substituting a specific valuation for the present *ad valorem* one.

A. But as far as I can see, the duty on all imported piece-goods is levied on the market valuations. The *ad valorem* duty is only a nominal phrase. If according to this tariff valuation such prices are fixed for a year or so for imported goods, they would give an advantage to the extent of 60 to 70 per cent. to some of the imported goods.

Q. Which ?

A. Here the prices for coloured, woven and dyed shirtings, mulls and jaconets, madapollams from the United Kingdom, are very low and therefore, you are giving advantage to the imported goods. There is, a class of white mulls which might be costing Rs. 10 to 12 and it would bring in a price of As. 8 to 10 per yard. If you calculate the price per yard for a piece of mull, it would come, according to the market prices for different qualities, to 8, 10 or 12 annas whereas in this table you have fixed the price of a yard of mull at Re. 0-4-6 per yard. That is, in fact, you are levying your duty on these goods to the extent of 50 per cent. only.

Q. You mean white mulls ?

A. Yes. As I understand, this is like offering a stone when one asks for bread. We want protection for our Indian industries but instead you are keeping duty at 11 per cent. on imported goods reducing the prices for the purpose of collecting such duty. Therefore, you are giving protection to the imported goods. A piece of superior quality of mull at the market price ever costs Rs. 15. As soon as I saw this table I thought there was something wrong somewhere. You are levying an *ad valorem* duty on annas 5 per yard only whereas the mulls coming in the market cost Rs. 1, 0-14-0, 0-12-0, 0-10-0, 0-8-0 and so on per yard.

Q. Per square yard ?

A. Not per square yard.

Q. How much difference will it make when you work in ordinary yards ?

A. Very little difference. To that extent you can say that your price of As. 5 would work out to annas 6 or 7 per yard. But even then it is very low compared with the market price and you are giving an advantage of 50 per cent. to these imported goods.

Q. This is the only scheme which has ever been put before us and that is why we sent it out for criticism. If you could give us advice on the valuations shown in it, we shall be glad to have it. We want your opinion on this classification. One of the arguments in favour of a specific duty is that it enables you to ascertain what nobody has yet ascertained, the exact extent of the competition between the goods from Japan and those of the United Kingdom and those from India ; and we have no evidence on the subject whatever beyond general statements that there is no competition or very little competition between the goods from the United Kingdom and those manufactured in the Indian mills and that everything that comes from Japan competes with goods manufactured from Indian mills and so on. We have no information on the subject beyond that. But if you had some sort of classification, as we have shown here, based on weight per square yard and number of threads in a square one inch side, would it not give you that information ?

A. That is not sufficient. The mills which come in are of various descriptions, 40s, 50s, 60s, 70s, 80s, 100s, 120s and so on. So I think the process of levying duty on the imported goods could not be satisfactorily done by this scientific method. The old system of market valuation should be adhered to. But would you levy the duty on a fine cloth having the same number of counts as a coarser one ?

Q. Would not that be reflected in weight per square yard ?

A. If you take the weight, the finer cloth will be very light and you will levy the duty on that weight.

Q. I am not thinking about that at all. This is merely a rough calculation.

A. This is only a complicated method of levying duty on goods. For instance, as I said, shirtings and mulls and all these descriptions are manufactured on different counts of yarn, although they are called mulls, shirtings and so on. So by giving this description, so many ends per inch, or levying the duty by weight of square yards is not a fairway of levying the duty.

Q. What are your objections to it ? It is done in Italy and I believe in the United States and also in Japan.

A. As far as I know, the method chosen there is a method which does not place any goods at a disadvantage.

Q. There is no reason why goods should be placed at a disadvantage if you base the valuation on weight per square yard and number of threads in a square one inch side ?

A. In regard to these mulls, there are about a dozen types of mulls. How would you fix an *ad valorem* duty on them ?

Q. You would not fix an *ad valorem* duty ; you would fix a specific duty.

A. On what basis ?

Q. On weight per square yard and the number of threads.

A. Which means that the coarser mulls will have to pay a higher duty than the finer.

Q. No.

A. You levy the duty on weight.

Mr. Majmudar.—The scale will be different for coarse and fine qualities. The duty will be lower for coarse quality than for fine. Suppose one kind is of 20s and another of 60s. The specific duty on these will vary according to the counts, because the weight of the piece varies according to the counts.

A. If there is a heavier cloth, you would reduce the duty according to count ? And to do it you will have to fix valuations every year and you will have to be prepared for all sorts of qualities of mulls coming into India and you can imagine the task for the office which has to do it every year. There will be several dozens of qualities and sub-qualities which would be put on the market. From my point of view, I do not think that it is a feasible way of doing things for India.

Q. If it is fixed up that between such and such counts the rate will be so much, then it will not be difficult ?

A. The difference in counts varies to such a great extent that I should say from my own knowledge that it will be very difficult for the Government even to get experts to levy duties in the Custom Houses on this basis. The way now to collect these duties is to ascertain the market values. The invoice value is there. The appraisers make enquiries about the market value and between the two they assess according to the value of the quality. The whole method of assessment for imported goods as proposed here is so very difficult owing to the number of .varieties of goods and owing to many kinds in one kind of goods even. The qualities in white shirtings, for example, are of a very big range. You have got a piece of white shirting worth Rs. 10 and another piece of white shirting worth Rs. 60.

Q. That is because of the difference in counts.

A. In the make, in the finish, in everything.

Q. So if the duty is fixed according to the counts, then this objection which you have raised will be reduced to a very great extent. It will practically disappear. Of course I can understand the difficulty that might arise owing to the manufacturers changing the counts and all that.

A. In testing the yarn, a difference of 1, 2 or 3 counts is always possible. I cannot understand how the counts of a woven cloth can be very exactly ascertained for this purpose. If you are going to classify between 5 or 10 counts, then you are always on danger of putting one on the lower side and one on the higher side.

President.—I see your Association considers that there should be discrimination against Japan. Is that not so—that protection against Japan is especially required ?

A. Yes.

Q. On what grounds ?

A. On the ground that the Japanese qualities are very similar to the qualities manufactured in India, just as we saw the two samples here. Of course they were slightly different. But almost all plain qualities, sheetings, jeans, etc., which are ordinary staple qualities are competing against Indian qualities.

Q. There are two points that arise about that. How can you justify a protective duty against one country alone, against the country as such and not against all goods of a particular class ?

A. That is another aspect of the question. But I think that can be done by adopting the principle of Imperial Preference.

Q. You would get over the difficulty by Imperial Preference ?

A. Yes ; it comes to that.

Q. Would not this specific duty that I have suggested or rather brought to your notice a few minutes ago, overcome the difficulty to some extent, *i.e.*, if you were to levy your duty by counts, if you were to put a higher duty on the competing cloth and leave the

rest alone ? If you were to levy duty by the grade of cloth, would not that meet your objection ?

A. Then comes the difficulty about standardising the scale of duty in the case of other imports of finer counts ; and also we have the risk of levying extra duty on coarser goods which come from the United Kingdom which, as you have been apprehending might help towards increasing the cost of goods further.

Raja Hari Kishan Kaul.—You propose 5 or 6 per cent. duty on yarn and 10 to 12 per cent. duty on cloth. Is not the yarn trade suffering more than the cloth trade ?

A. Yes, but there is another industry which we have to take into consideration and that is the handloom industry. That is an important indigenous industry in India and the intention should be to foster that industry as much as possible.

Q. You think this 5 to 6 per cent. duty in the case of yarn will enable the Indian mills to produce yarn profitably ?

A. I think compared with the duty on cloth the duty on yarn which I propose is a fair proportion.

Q. You think 5 or 6 per cent. is a fair proportion ?

A. Yes, if you have yarn which costs you 10 annas per pound that would cost you Re. 1-4-0 to make in to cloth.

Q. Ten per cent. of Re. 1-4-0 would be more than 10 per cent. of 10 annas ?

A. I can see that. But my object in doing that is to safeguard the handloom industry.

Q. It is no use having a protective duty unless you expect to achieve the end in view.

A. The yarn trade is not now of such a big extent as it was some time before and it is not likely that we are going to regain our China trade against Japanese competition.

Q. Will not the result be that you will not be able to manufacture yarn profitably ? You won't be able to sell it to the handloom, while the price of yarn coming from outside India will become higher, so that you will not gain and the handloom industry will suffer ?

A. I think to a certain extent the rise in the duty by a small percentage which I propose will have its effect on the general price of yarn also. It won't be altogether without its effect if you increase your duty by 5 or 6 per cent.

Q. Will it enable you to manufacture yarn profitably so that you may be able to sell it to the local handloom industry ?

A. I think so. It might be a good help to them, because the profit on the yarn is not generally as much as on the cloth.

Q. Then, as regards increase in price to the consumer you say there will be a rise but it will adjust itself. There will not be a very considerable rise. If the rise is not considerable, the mills will not be able to make both ends meet ?

A. I think the rise will be as I have said to an extent as is necessary. If there are no big profits, at least, there will be moderate profits.

Q. Will not the limit be that margin where the importing countries will be able to place their goods on the Indian market in spite of the additional import duty ?

A. How can that be ? If it is an additional duty of 10 to 12 per cent. people will not pay so high a price for a similar quality which can be had in India at a comparatively cheaper price.

Q. What I mean is that if the prices in India rose, say 10 to 12 per cent., according to the amount of duty if any which we put on, then Japan and other countries will be able to place their goods on the Indian market, probably at the same profit that they are making now. If your price goes up 10 per cent. and they have to pay 10 per cent. import duty they will be on the same level and they will continue to place their goods on the market. As long as your price did not go 10 per cent. higher they would have to give up part of their profits or the whole of their profits in order to be able to compete with you if they wanted to sell their goods in the Indian market. When your price rises to that extent or higher it will be profitable for the foreign countries to import goods and sell them in the Indian market. Will it not ? Will that be the limit up to which your price can rise ?

A. Prices for local goods and prices for Japanese goods will in that case rule differently.

Q. Why ?

A. In the questionnaire you ask about the effect of the rise in duty on Japanese goods on the Indian-made goods. The percentage of Indian-made goods is such a large one that the increase in duty of 10 per cent. will not bring about an equivalent rise in the price of the Indian goods. That is how I take it. The Japanese goods by that increase in duty will be at a disadvantage. They will always be.

Q. Not if your price rises high ?

A. But my price will not rise high, to the extent of 10 per cent. or 12 per cent. If you levy the extra duty of 12 per cent. only on a small percentage of Japanese goods the

price of Indian goods will not rise to that extent. What I was driving at was this, that by levying the duty on Japanese goods you restrict the import to a more or less extent. At one time I can imagine it may be restricted to a great extent and to that extent you relieve the stocks of the mills. If the quantity of Japanese goods is less on the market the extra quantity of Indian goods can be taken up.

Q. I want to know that extent. I just want to ask you whether the rise in the leve of prices will be limited to the price at which it becomes profitable for the foreign countries to sell their goods in the Indian market. Will that be the limit or not ?

A. I very much doubt whether the Japanese will be able to sell their cloth advantageously because of the extra import duty.

Q. Whatever price they will be able to sell their goods at will that not be the limit up to which your price can rise ?

A. I do not think so because of the big difference in proportion.

Q. There is a proportion now. There is a relativity between the price of Japanese goods and the Indian goods. If your price rises, say 10 per cent., and a 10 per cent. duty is added to their price then the proportion will be the same ?

A. But levying an extra 10 per cent. on a small percentage of your imports will not bring about an equivalent rise in the price of all our goods. It cannot.

Q. I won't press the point.

President.—Your position is, I understand, the same as the millowners took up. What they said was that if you were to put a duty of 12½ per cent. it would probably only raise the price to the consumer by 4 or 5 per cent. ?

A. Because it will be spread over the whole production. We have got a very big quantity to dispose of.

Mr. Subba Rao.—If you say that prices will not rise because of the import duty on a small proportion of the goods how is it that prices have fallen on account of the same small quantity ? Just now it is said that the mill products have gone down in price because of the competition of the 10 per cent. goods that come from Japan. How do you explain that ?

A. I am afraid I have explained it. I will make it more clear. If we are having Japanese imports of 10 per cent. and if we have got an equal quantity of goods in surplus or a little more in surplus and if we levy a higher duty on this 10 per cent. and if the imports are checked thereby our extra goods take the place of those Japanese goods because people will not pay higher price to an extent of 10 or 12 per cent., and owing to the internal competition and the generally heavy stocks which the mills are having they will not be able to raise their price to that extent. The rise in price will be to my mind only about 4 or 5 per cent. or even less.

Q. That is so long as the stocks now held are not cleared but once those stocks are cleared and the mills begin with a clean sheet will they not put up the price ?

A. I think it is very rare in the history of these mills that they have not got any stocks or that they ever begin with a clean sheet. It depends on the policy of the different mills how they sell their goods. Some few mills sell for forward contracts and generally several like to have stocks and take the chance of the market. But as a whole the stocks are always large with the mills and the only effect of this will be that they will be able to work their mills fully. As far as I understand at present all mills are not working fully in Bombay. They have to curtail their output by shutting up some of the looms.

Q. It is due to the fact that you are getting about 120 million yards of cloth from Japan ? That is after all a small proportion of the total Indian output ?

A. But as I said it is a proportion just to prevent us from selling the extra quantity which we are always having.

Q. And you think the duty will be enough to prevent the incoming of Japanese goods ?

A. I think it will be a great check.

Q. And to the extent it is not a great check goods will come in and the consummation desired will not be realised ?

A. I think it ought to be. If you put up a higher duty of 10 per cent. it ought to check the sales of these goods. People will not pay higher prices. They are not so fond of Japanese goods as to pay higher prices for them.

(b) Other suggestions

President.—As regards the last section, Mr. Thakersay, you say you are not in favour of an export duty on cotton. Do you wish to say anything more about that, or would you rather leave it at that ?

A. I think it is a matter of policy. As far as the condition of India is concerned all its exports should be free and I am not in favour of levying any duty on any exports including cotton.

Q. Do I gather from your replies to the Question 122 about the production of finer counts that the market in Calcutta for dhuties and chaddars needs greater attention and that you consider that the millowners have not been sufficiently wide awake ?

A. I should say they have been doing their best, but owing to the competition I find that some of the goods they have to put aside. Especially in bleached goods I can say that Ahmedabad has a great advantage. The bleaching process in Bombay is by a scientific process whereas bleaching in Ahmedabad is the ordinary bleaching which is very cheap. The Ahmedabad bleached cloths have had good sales during the last two years. It all depends upon the price, the competitive price and the cost of bleaching paid by the Bombay mills compared to the cost of bleaching in Ahmedabad.

Q. But, there again, Bombay bleaching would be better done ?

A. But people have not got sufficient money to pay such high prices. I am told that Ahmedabad can bleach their goods at one anna per pound whereas it would cost here between two and three annas.

Q. You think Ahmedabad bleaching is good enough for the purpose ?

A. It is good enough for the people who use these things.

Raja Hari Kishan Kaul.—In connection with freight you propose that the railway freight on all goods be reduced to the pre-war basis ? Do you mean that there should be a wholesale reduction or do you mean that railways should reduce the freights to and from manufacturing centres ?

President.—What I think the Raja wants to know is whether you mean railway freight on piece-goods or on everything ?

A. I want it on piece-goods.

Mr. Majmudar.—In reply to Question 119 you are referring to designs and trade mark numbers on their respective qualities. You mean Government should have some legislation on that matter ?

A. Yes, I think so. If the millowners themselves cannot manage to put this right there should be some legislation. You can quite see what I mean when I say that the mutual rights of designs and trade mark numbers is entirely neglected here in India and it is a failure which I think would to a certain extent affect the trade. If one mill has got a certain quality with certain numbers another mill will spring up at once and produce it in a lower weight and put the same number. The mill which started the quality in a better way is at a great disadvantage.

Q. How would you stop it ? What sort of amendment of the Act do you suggest ? There is a Trade Marks and Designs Act ?

A. Yes, but I am afraid that the numbers are excluded from that. Numbers do not form the property of the users.

Witness No. 4

BOMBAY NATIVE PIECE-GOODS MERCHANTS' ASSOCIATION

Written Statement dated Bombay, 4th September 1926

As my attention is drawn to a supplementary question No. 114-A., I beg to inform you that although my Association had no desire to submit a written statement to the Tariff Board, but as the above question is likely to affect to a considerable degree the members of my Association who are large importers of foreign cloth, I beg to say that if any change in the tariff schedule is made, it will affect them considerably, especially if the suggested tariff valuation per yard is adopted. For instance the tariff valuation per square yard, is suggested to be fixed at annas 5 for white shirtings, mulls, nainsukhs, jaconets, etc. Now if all these goods are assessed at annas 5 per yard, my Association thinks that the tariff will not be evenly formed, but will affect some cases adversely, and some cases favourably. Taking for instance white longcloth 40 yards by 36 inches. The duty per piece will have to be paid on Rs. 12-8-0, whereas a major portion of bleached longcloth is valued at present market rate from Rs. 14 to Rs. 20. So that a majority of this cloth will be under-assessed, and longcloths of lower value than Rs. 12-8-0, will have to pay a very heavy duty.

Similarly take for instance the case of mulls 20 yards by 45 inches. This comes to 25 square yards, and at annas 5 the valuation will come to Rs. 7-13-0. Now a small portion of the total mulls imported will be of that price, but a major portion of the imported mulls is of a higher value, and therefore if this suggestion is adopted, there is every chance of the Government losing revenue for the higher price goods, and at the same time the lower price goods will have to pay a heavy duty

In respect of grey goods, take for instance, jaconets, shirtings, sheetings and T. cloth. It is suggested to assess these at annas 4 and 8 pies per square yard. So 40 yards by 36 inches grey shirting will be assessed at Rs. 11-10-8. Now a large quantity of grey shirting comes to India from Japan and the United Kingdom varying in weight from 5 lbs. to 12 lbs., and so the valuation on lighter goods as for example on 5 lbs. will come to more than Rs. 2 per lb., whereas on a 12 lbs. longcloth the valuation will work out at Re. 1 per lb.

The Board, therefore, will see from the above statement that the suggestion is not practicable, and may lead to results which may not be desirable from their point of view nor from the point of view of the consumers. Besides, the present system of assessing duty at market value is quite satisfactory, and has worked for so many years smoothly without causing any inconvenience. If necessary my Association will be glad to nominate one or two of its members to give oral evidence on the subject.

In conclusion I am extremely sorry that I have to approach you a little late, but the suggested supplementary question No. 114-A., came to the notice of my Association only on the 29th ultimo, when it was received from you by post.

Witness No. 48

THE MADRAS PIECE-GOODS MERCHANTS' ASSOCIATION

Written Statement, dated 20th September 1926

At the request of the Madras Piece-Goods Merchants' Association, I beg to submit the following written statement to the Indian Tariff Board (Cotton Textile Industry Enquiry) I have been a member of the Association almost from its inception and have served for two years as the Secretary of the same. I have served on the Madras Port Trust for two years as representative of the Association and also appeared before the Mercantile Marine Committee on behalf of the Association. I have also submitted a written statement and have given oral evidence before the Indian Fiscal Commission in 1921. I deal largely in English cotton piece-goods and on a small scale in the goods of the Commonwealth Trust, Limited, Calicut.

This Association has given me the honour of submitting its views regarding the Indian textile industry before the Indian Tariff Board and at its request I appear before them to give oral evidence on behalf of the Association. I have discussed at full length with the executive Committee of the Association all the points raised in my written statement and I am equipped as far as possible with the views of the Committee on supplemental questions that may probably be asked.

General

Industrial depression is not confined to the cotton textile industry alone. There is hardly an industry in the world to-day that does not suffer from depression. Taking the cotton textile industry we find that the Manchester mills are not much better off at present. Reports appear every day that mills in Lancashire are working some at a loss and some at bare cost and so forth. This is due to the unsettled condition of the world after the war. There is a continuous fall in the prices of stuffs which is due to economic disabilities of the consumer whose income has either not obtained a steady purchasing power or has not steadied itself as such. It is therefore inevitable that the Indian textile industry must be effected to a large extent by the same factors. But this is to an extent aggravated by the competition of foreign imports manufactured in countries not affected by the war and not observing the international agreements with regard to labour and its hours, etc. The enormous demand for the Indian raw produce during the war increased the circulation of money in the country by leaps and bounds and as soon as the post-war re-action set in people began to feel the lack of funds and economic distress has become the household condition. The purchasing power of men has been curtailed and as a consequence of it every commodity fell in price. The fall has not yet stopped and much uncertainty prevails as to where and when it will stop. Money has become scarce and also purchases. Though things are settling slowly, it is the duty of every one to work up his own trade and industry so that he may not fall behind others who lose no time in taking advantage of the weakness of the one. As my Association consists of members who for the most part actually market the various kinds of cloths for this Presidency, it ventures to make certain observations with regard to the existing defects in the supply of the Indian mill production as compared with those of England and Japan.

Some Defects

1. *Quality of cloth.*—It has almost become a general complaint from our merchants, that any quality introduced by them for manufacture is rarely kept up in the subsequent supplies of the stuff. Each consignment though supposed to be of the same stuff, comes in with a different finish, different texture, and different weight from that of the previous one. There is no certainty that a merchant would get exactly the same stuff as before if he repeats his order again. This has done a good deal towards hampering the progress of the trade in the mill-made cloth and has greatly contributed to much disgust not only to the consumer but also to the merchant.

It is not so with the Japanese imports and we need not say that the English manufactures are simply ideal in this respect. This is a most important point which this Association wants to represent to the Indian mills in the interests of the mill industry which it is hoped will become a national asset in future.

2. *Reservation of lines.*—Our members complain of sad experiences in the way of non-reservation of particular varieties introduced by them for manufacture. When a

merchant makes an indent for a new variety with certain designs, stripes, borders, etc., he feels he has really a right to have that particular line reserved to himself until such time as he totally abandons it or reduces his orders to almost nil. Very often we find that the manufacturers, in executing such orders, not only make the ordered number of bales but also some more to market them on their own account. Such acts on the part of the manufacturers deprive the merchants of their rightful profits and check their enthusiasm for introducing some fresh lines into the business. A merchant would be anxious to see that his neighbours should not benefit at his expense and so the Association recommends to the millowners that the individual rights of the merchant should not be encroached upon.

3. *Name stamps on pieces.*—My Association is of opinion that each piece if stamped with the name of the producing mill or mill agent somewhere on the piece, would be more conveniently identified for purposes of sales. It is not uncommon that consumers particularly require an Indian mill made cloth for their use and in such circumstances it would facilitate the sale of the stuff if the manufacturers' name were stamped on it.

4. *Packing.*—The packing of the Indian mill cloth is very unsatisfactory. Usually a pile of pieces are covered with a layer of gunny sometimes thick and sometimes thin and the whole is bound by a few thin belts just to suit the railway rules of transport. The packing is complete with this.

It is not an uncommon occurrence that these bales are carried in railway wagon containing various stuffs ranging from coal to chunam and whenever the bales happen to travel with dirty companions like coal, they easily impart the dirt to the cloth inside. Sometimes the bales have also a paper lining but it is not even worth its name. It is, therefore, essential in the interests of the industry that the goods must be packed with better materials that can stand the rough handling to which they are subjected at railway stations of booking and re-booking.

It may be pointed out by the other side in this connection that better packing would increase the cost of the goods, but this objection we propose to meet in a succeeding paragraph. The Association is also of opinion that no discretion should be allowed even to the indentor in the matter of packing if he chooses to reduce the cost of the goods by advising imperfect packing.

5. *Numbers and patent trade marks.*—After so many decades it is a deplorable fact that there is not one patent mill stuff in the market that has made itself popular like the Thomas Whalley of Messrs. Brookshaw Whalley & Co., Manchester, or 1703 or others. There seems to be practically no restriction for any indentor to make an indent and for any mill to manufacture, pieces exactly similar to some others' stuff in facing, numbering, tickets, etc. This has checked the progress of the industry to a large extent by not allowing any particular variety to push itself in advance of others, even though the merchant who markets the stuff and the mill that manufactures it use all their might to do so.

My Association ventures to suggest the formation of a Central Board of Control to set such matters right.

6. *Standardisation of twist used for cloth.*—There is one other serious defect under which the mill cloth is wavering for maintaining its quality. The yarn used for weaving the cloth does not generally seem to be sufficiently twisted. It is a known fact that Indian cotton is the shortest stapled in the world and as such it requires the largest number of twists per inch. This primary requirement seems to be very generally lost sight of by the manufacturers and the result is obviously deterioration in the durability of cloth. After one or two washes, the consumer complains that the cloth gets a fibrous surface which is the clearest proof of insufficiency of twisting the yarn. This defect is not so much felt in the cloths of Japan or England.

Board of Control

My Association takes the liberty to suggest the formation of a Central Board of Control to standardise the Indian textile industry and put it on a level with the Western organisations. The few observations made above, are things which are not possible for any one mill to adopt. It would not pay for any single mill to rectify the defects mentioned above, as such rectification would mean increased cost of production for them only over and above that of their neighbours. So, any improvements regarding the above defects, have to be taken up by all the mills at the same time and continued honestly. To put such things into proper execution, a Central Board of Control is necessary. It must be a statutory body with entire powers of supervision and inspection over all the mills. While leaving the details of its constitution and powers to the Central Legislature, a few of its functions may be hereunder mentioned.

The Central Board may prescribe a certain kind of packing for a certain line of stuff, i.e., the Board may say that all grey shirtings over 33 inches width must be packed with paper, tarpaulins, and gunnies and that the bale must have four iron belts of a particular thickness and width. Enforced on all the mills alike, such improvements will not place some mills at an advantage and others at a disadvantage. The Board may be entrusted with the registration of patent marks, labels, numbers and also designs. It can settle disputes of infringements of trade-marks and numbers and any trade-mark or number may be allowed to be used only after the sanction of the Board. Then alone, there will be fair competition in trade and the skill of the merchant will be utilised in pushing certain special marks into prominence.

The standardisation of twist may be one of the important functions of the Board. The Board being of course an expert body, can prescribe the number of twists per inch, for the warp and the weft of grey shirtings, dhoties, striped shirtings, etc., using the different counts of yarns for each of the purposes.

It may seem at first sight rather a complicated suggestion, but a step like this is essential if the textile industry of this country is to be saved from decline. The industry is one of national importance and as such it requires as much attention as the country can bestow upon it.

The suggestion may add slightly to the cost of production but the increase in cost will be insignificant and practically nil as compared to the benefits that will follow. Depression in the Indian mill goods market is mostly due to the defects mentioned above and without rectifying them, the industry cannot prosper even if a cent per cent. import duty is levied on imported cotton goods. Even the wages to the labourers can be decided by the proposed Central Board with special reference to each locality and thus several strikes and lock-outs may be avoided.

Specialisation

The Association is of opinion that specialisation of manufacture may be introduced into the industry as necessity arises, as it would tend to improve the arts of the several processes of the industry.

Exchange

The Association as it has expressed itself on several previous occasions supports a 1*s*. 4*d*. exchange. It would benefit not only the millowners but also the agriculturists whose produce would bring him more rupees and enable him to buy more material for his comforts even though the latter is slightly dearer if it happens to be an imported article.

Duties on machinery

It is not in the interests of the Indian textile industry to levy a duty on the machinery imported to support its very life. The removal of the duty would act as an incentive to the mills to add to their looms and spindles and thus increase their production by a cheaper investment than now.

Import Duties

It is true that imported cloth from Japan competes to some extent with the certain lines of Indian mill cloth. There is up to now no competition worth mentioning in the line of dhoties but grey shirtings and striped shirtings are suffering to some extent. This Association is of opinion that if the exchange is fixed at 1*s*. 4*d*. it would serve as a measure of protection for the present. If the serious defects in the supply of mill cloth referred to in the earlier part of this evidence are rectified, it may be safely relied upon, that the Indian textile industry can face the Japanese competition better than at present.

In the meantime, it rests with the Government to communicate with the Government of Japan and ask them to enforce the conditions laid down in the International Labour Conference. If it so happens that no agreement can be reached and that the Japanese competition still operates unfavourably on the mill cloth market, then as a last resort, the duty on Japanese cotton goods imported into India may be raised.

Railway Freight

The Association is also of opinion, that the existing rates of railway freight are operating very hardly on the transport of cotton cloth from Bombay and that the Government should prevail upon the railway companies to reduce their rates to the pre-war level at least on the cotton goods booked from Indian mills.

Witness No. 48

THE MADRAS PIECEGOODS MERCHANTS' ASSOCIATION, MADRAS

Oral Evidence recorded at Madras on the 24th September 1926

The following gentlemen represented the Association :—

Rao Sahib B. Bapaiya Chetti.

Mr. Panduranga Sridhar.

President.—It is somewhat unfortunate that you have not let us have this written statement a little earlier.

Mr. Bapaiya Chetti.—I am sorry I was not able to send it to you earlier. It was given to the typist this morning and he sent it to me only just now.

Q. A hurried perusal of your statement is all that is now possible and that will deprive your oral examination of the value it would otherwise have. How many members has the Madras Piecegoods Merchants' Association ?

A. About one hundred.

Q. When was it founded.

A. About nine years ago.

Q. You are the President ?

A. No, I have served as Secretary to the Association for two years.

Q. Who is the President ?

A. Mr. B. Damodaram Chetti, a piecegoods merchant.

Q. Are you a dealer in piecegoods yourself ?

A. Yes.

Q. To what extent ?

A. I do nearly Rs. 10 lakhs worth of business every year.

Q. What are the classes of goods in which you deal ?

A. Almost entirely in Manchester goods.

Q. I gather from your written statement that you consider that the depression in the Indian mill industry is to a large extent due to circumstances which are within its control ?

A. Yes, that is the view of the Association.

Q. Have you any dealings in Indian piecegoods or in Japanese piecegoods ?

A. I deal in Indian piecegoods, on a small scale, the piecegoods of the Commonwealth Trust, Ltd., Calicut.

Q. Do you deal in Japanese piecegoods ?

A. No.

Q. Do any of the members of your Association deal in Japanese piecegoods ?

A. Yes. My friend here deals in Japanese goods.

Q. What do you deal in ?

Mr. Panduranga Sridhar.—Bombay piecegoods.

Q. Have you any dealings in Manchester or Japanese goods ?

A. I deal in Japanese goods also.

Q. I gather that the experience of both of you gentlemen as well as the general experience of the Association is that the quality of the Indian piecegoods is not as good as that of the Japanese or English piecegoods. You also complain that when you order a particular line of piecegoods, the transactions in that particular line are not confined to you but that a large quantity of it is manufactured than you require and is sold elsewhere. Is this a real grievance ? If the line is popular, do you expect it to be confined to one merchant ?

Mr. Bapaiya Chetti.—Yes. If the line is one of his own creation, I think he has a right to have it confined to himself.

Q. Do you want the manufacturers to confine it to one place or at least to one dealer in one place ?

A. I have been dealing largely in English piecegoods. When I make an indent for a certain quality by the design, generally that particular design is reserved for me until my

indents fall so low that the business of the manufacturer is affected and he feels that it is not worth reserving that design for me. Therefore, it keeps up my interest in that particular commodity and I always try to push it into the market with all my might. That is how several popular qualities have come into existence in the English piecegoods line. But that is not so in the Indian mill cloths. No lines are reserved and no trade marks are reserved. Everything is an infringement.

Q. There is an Indian Trade Mark Act for designs. Cannot action be taken under that Act ?

A. We do not consider it worth while. It is for the mills, whose trade marks are infringed, to take action ?

Q. I was under the impression that all the mills in Bombay, Ahmedabad and elsewhere stamp their goods with their names.

A. Yes ; but customers are generally guided by numbers of designs as the same numbers appear on goods of different qualities turned out by different mills, customers who want a certain class of goods, say 5406, can get them both for Rs. 6 and for Rs. 4, and both those qualities will have the same number. Instances in point are ; Grey Drill No. 1125 and Tinted Shirting T 5. These numbers are used by several mills in Bombay. We find several makes in the market which do not even show the name of the country in which they are manufactured.

Q. Is that common ?

A. Yes.

Q. Can you send us samples of cloth showing exactly what it is of which you complain ?

A. I shall send some.

Q. You also object to the packing of the Indian mill cloth ?

A. Yes. That is a serious complaint. We receive our bales in a damaged condition. Certain pieces are sure to be found damaged in every bale.

Q. Does that apply to all the Indian mills ?

A. Not all, but to a majority of them.

Q. Does it apply equally to Bombay and Ahmedabad mills ?

A. *Mr. Panduranga Sridhar.*—It applies more to Bombay than to Ahmedabad mills.

Q. Is there much Bombay piecegoods coming into this market ? We have been round the market, and as far as we could ascertain, there was far more Ahmedabad stuff coming into this market than from Bombay. Is that your experience ?

A. Only cheaper varieties are coming from Ahmedabad.

Q. We find very little stuff coming from Bombay into this market. Is that so ?

A. Bombay goods also are coming to a large extent, almost to the same extent as Ahmedabad goods.

Q. That is not what we discovered when we went round. We have been told that the Ahmedabad millowners pay far more attention to this market than the Bombay millowners. Do you consider that statement is correct ?

A. Yes.

Q. Do they send people down here ?

A. Yes, many mills have got their own agents here.

Q. Do the Bombay people do that ?

A. No, Sir.

Q. What do you mean by " patent mill stuff " Mr. Bapaiya Chetti ? You also refer to " Thomas Whalley " of Messrs. Brookshaw Whalley & Co. What is that ?

A. *Mr. Bapaiya Chetti.*—Gray shirtings.

Q. Why do you call it " patent mill stuff " ?

A. This is a sample of it. That particular tra e mark has become so very popular in this market that anybody who wants this will get only this by mere mentioning its name and not any other stuff. But with regard to the mill cloths, if a certain number is asked for in the market, that number being stamped on several kinds of pieces the merchant himself does not know which piece should be handed over to the customer.

Q. Who imports the " 1703 " you refer to ?

A. It is imported by Messrs. Ralli & Co.

Q. From England ?

A. Yes, from Manchester.

Q. Is it your point that you can always get it if you ask for it ; whereas you cannot be sure of that in regard to any Indian mill quality ?

A. Yes.

Q. There is no Indian mull like this ?
A. No mull can show such a record and such a steady sale for so many years.

Q. We have been also told—and your evidence seems to bear out the correctness of that information—that the yarn used for the warp of the Indian mill cloth is not so strong as that used by the Japanese or English mills ?
A. Yes.

Q. That is what you mean I suppose when you say that there is not sufficient twist ?
A. Yes.

Q. That applies to the warp ?
A. It is only a general statement. It applies not only to the warp but it also applies to the weft. The number of twists per inch in the Indian yarn seems to be smaller than the number of twists in the foreign yarn.

Q. Do you know anything about the manufacture of cloth, Mr. Bapaiya Chetti ?
A. I had myself a handloom industry.

Q. Can you give us an opinion on the subject as to whether this is not due to the fact that the Indian mills try to get too high a count out of a particular mixing that for example they manufacture 30s yarn out of cotton which should only be used for 20s ?
A. I do not feel myself competent to express an opinion on that point.

Q. You put before us the very interesting suggestion that there should be a Central Board of Control for the industry in order to remove the defects ?
A. Yes.

Q. Could not this be done by the Bombay Millowners' Association without legislation ? Would it not be an advantage to have this done by the mills themselves without legislation, if possible ?
A. Our opinion is that without a statutory body, we cannot enforce the execution of those suggestions. For instance, there must be a uniform system of packing, twisting of yarn, etc., which only a Central Board with statutory powers enforce.

Q. Packing is rather a small matter and it would not be worth while to have a Central Board merely for the purpose of enforcing good packing. You want also one for the standardization of twists ?
A. Yes, even with regards packing, though it is a small matter costing just a rupee or a rupee and a half, the millowner is tempted to use cheaper material for packing and thus the goods lose their reputation in the market. Besides packing there are very important matters referred to in detail in my written statement.

Q. It will be a little difficult to work your system of prescribing the number of twists per inch without a Central Board. That is your opinion ?
A. Yes. The Central Board must necessarily be an expert body and it must prescribe the number of twists per inch for a certain kind of yarn or for a certain kind of cloth.

Q. On the whole you are not in favour of an import duty. You would like to see a 1*s.* 4*d.* exchange, but even if the rupee were stabilised at 1*s.* 6*d.*, you are not in favour of import duties ?
A. Both things are not necessary.

Q. We will take it that it is stabilised at 1*s.* 6*d.* If that is done, do you want an import duty ?
A. The opinion of the Association is that the main cause of the depression in the mill trade lies in the internal defects that I have pointed out in the statement. If those defects are rectified, the mill goods will have a better reputation in the market and may sell better and find more markets.

Q. Do you consider that that is the first step ?
A. Yes.

Q. Can you tell us from your experience of the Madras piecegoods trade what the extent of the Japanese competition is here ?
A. Three or four years back a certain class of Manchester crepe was used in large quantities here. The Japanese have since introduced their own line, and the Manchester crepe has suffered. The Japanese have got that market.

Q. Do you consider that there is very little direct competition between Japanese goods and Indian goods ?
A. Yes, that is my opinion. The competition is really between Manchester and Japan. If the duty on imports is to be levied against goods from Japan only, India will not gain anything thereby. Only that trade will go into the hands of Manchester. The particular

class of goods that comes from Japan the Indian mills have not so far been able to produce, and that is why I think the import duty will not benefit the Indian mills, but will only hit the consumers.

Q. Is the Japanese competition mainly in shirtings ?
A. In greys and striped shirtings and grey drills.

Q. And to a certain extent in hosiery also ?
A. I do not know anything about hosiery.

Q. Are there much T cloths and domestics coming in here ?
A. *Mr. Panduranga Sridhar.*—They are used for a lot of purposes. Generally they are used by local dyers because the 38 yards may be turned into five saries. But if we get an Indian cloth, one or two pieces are sure to be found defective and damaged in a bale That is not the case with Manchester or Japan goods. Also no short length pieces will be found in any of those bales.

Q. Is there much Japanese sheeting coming in here ?
A. Japanese grey drills also are coming in. Sheetings do not come to a large extent.

Q. Will you send us some samples of Japanese cloth so that we can see exactly what the extent of the competition is ? About a yard each of some standard lines will do ?
A. Yes, Sir, I shall send them on to you.

Raja Hari Kishan Kaul.—You said that you got mill made cloth and Japanese cloth from Bombay ?
A. *Mr. Panduranga Sridhar.*—Yes, Japanese cloths are imported through Bombay and Calcutta, as there is no direct steamship service between Japan and Madras.

Q. Are you importing any mill made cloth from Ahmedabad ?
A. Yes.

Q. Do you import more Bombay goods or Ahmedabad goods ?
A. More from Bombay.

Q. Is that the reason why the defects of Ahmedabad goods have not come to your notice so prominently ?
A. I do not see any defect. From Ahmedabad only a limited variety comes here, that is, cheap dhotis, cheap greys and cheap shirtings ; while from Bombay a very large variety is coming, such as coatings, trouserings, etc. Those goods are not coming from Ahmedabad.

Q. Are not grey longcloths and striped shirtings also made by Indian mills ?
A. Yes.

Q. Do they sell in the market here ?
A. Yes.

Q. They have been selling for several years now ?
A. Yes.

Q. So also has the similar cloth imported from Japan ?
A. No. Our quality does not compete with Japanese cloth. Our quality is of a lower price.

Q. How much lower ?
A. The Japanese cloth comes to Rs, 1-10-0 or Rs. 1-8-0 a pound while the Bombay mill cloth costs usually only from As. 15 to Rs. 1-2-0. There is thus a difference of about As. 6 per pound. The Japanese cloth is thinner.

Q. You are not getting any striped shirting from Bombay or Ahmedabad which is of the same quality as the Japanese ?
A. No.

Mr. Subba Rao.—You say that the manufacturers make some more of the same kind of cloth as you order and market it on their own account. Does that happen frequently ?
A. *Mr. Bapaiya Chetti.*—I do not quite follow.

Q You say you order a certain quality of some lines of cloth and the manufacturers both keep such lines for you and also market a quantity of the same stuff. Does that happen frequently ?
A. If a merchant orders 50 bales, the manufacturer sometimes makes 100 bales and asks the merchant to sell the first 50 and take the other 50 afterwards.

Q. That does not mean that he comes into your market by selling the same thing to other people.
A. If the merchant says that he cannot buy the other 50 bales, the manufacturer atonce tries to sell them in the same market to others.

Q. Does that happen frequently ? Can you mention any specific line of goods which you ordered or which anybody else whom you know ordered in regard to which this happened ?

A. I think I can give instances. I shall send the information to you along with samples of cloth.

Q. I think you first said that there is no competition between Japanese and Indian cloth, but later you said that dyers prefer the Japanese cloth to Indian cloth because the former is more uniform and there are no bad pieces in the bale. That means that there is some competition between Indian cloth and Japanese cloth.

A. *Mr. Sridhar.*--The dyers have a preference for Japanese goods, because of the quality and uniform making. What I mean is that if the Japanese people were to bring out such cheap stuff as the Indian mills are doing now, the dyers will no doubt prefer to buy the Japanese stuff, but the fact is that Japanese mills have not so far been able to compete with Indian mills.

Q. But just now, are you aware of any instances ? Suppose you offer the dyers two lines of cloth, the Indian and the Japanese. Which would they prefer ?

A. There is a great difference in price. Indian mill cloth is used where *cheapness* or *price* is the only consideration.

Q. So you say there is no preference now between the two because of the difference in price ?

A. Yes.

Mr. Majmudar.—You complain about the irregular quality of the Indian mill cloth. Do you refer to Bombay or Ahmedabad mills or to mills throughout the whole of India ?

A. I refer chiefly to Ahmedabad.

Q. Not to Bombay mills ?

A. No, but to some extent it is so even in Bombay.

Q. Is it as regards quality ?

A. Not as regards quality, but chiefly about packing. Even the quality is sometimes not uniform.

Q. Is it so in the case of most of the Bombay mills ?

A. Yes, so far as the lower counts of goods are concerned. In the higher classes, there is no complaint about quality in respect of the Bombay goods.

Q As regards reservation of lines, how many mills have refused to reserve lines for particular varieties that you wanted to introduce ?

A. *Mr. Bapaiya Chetti.*—That was the complaint made by several members last evening at a meeting of the Executive Committee and what the members stated I have put in my statement.

Q. Will you be good enough to collect instances of these and supply us with the information ?

A. Yes.

Mr. Majmudar.—With reference to what you say in your statement in regard to the non-stamping of the manufacturer's name on the pieces, I believe the merchants want that to be done in order to monopolise the quality themselves ?

A. *Mr. Bapaiya Chetti.*—The suggestion given in the statement is that even if the merchants advise the manufacturers not to put the manufacturer's name, the manufacturers must make it a point to put his name.

Q. The merchant thinks that if the retailers and other merchants come to know that the stuff is made by a particular mill, other merchants would go to that mill and get the stuff manufactured under some other stamp.

A. It cannot be held as a secret for ever.

Q. They think they can keep it secret for a year or two and meanwhile make a profit.

A. But if the merchant can rely on the manufacturer for the reservation of a particular line to himself, there is no trouble at all even if the pieces are stamped with the manufacturer's name.

Q. They go further and say that if the name is stamped, the other merchants are able to find out the price at which the stuff has been bought. When there is no name, there is no way of finding out the contract prices.

A. The mill people ought to refuse to give any information to anybody if that special stuff is reserved for a particular merchant. That is what is being done with regard to the Manchester piecegoods.

Q. In what way do you find the present practice objectionable from the point of view of the consumer or anyone else ?

A. The consumer sees the merchant's name on the cloth before he purchases it.

Q. What is your objection to the cloth being stamped with the merchant's name only ?

A. Generally, some customers had a sentimental objection to buy foreign stuff, especially in recent days. If an Indian mill made piece is put before him without the name of the Indian mill manufacturing it, it is very difficult to convince him that the piece was made in India.

Q. I see. But it may happen the other way, that Indian stuff might be passed off as English make ?

A. Up to now, as far as my experience goes, no Indian mill stuff has been able to appear as English stuff.

Q. Then, has English stuff been passed off as Indian stuff ?

A. That may happen in some cases. For instance, in the particular cloth called khadi, it is an open secret that Japanese khadi is being sold as Indian khadi.

Q. But, generally, the type of goods manufactured by the Indian mills is so different from the English goods that one cannot be passed off for another ?

A. Yes. But the ordinary consumer is not expected to be an expert in textiles.

Q. Then, as regards packing you say that " no discretion should be allowed even to the indentor in the matter of packing if he chooses to reduce the cost of the goods by advising imperfect packing." If the indentor is situated at a short distance and he thinks he can get the goods at a lower cost, why should that not be allowed ? If anybody stands to suffer it is he.

A. I am more keen about standardization which pays in the long run. In order to let the indentor gain a few pies at the highest in a particular instance, I think it is not advisable to allow the whole Indian cloth trade to deteriorate.

Q. At present it is the practice in almost all the mills to charge a little extra and to supply in whatever packing the merchants desire. Merchants who want to have a special packing, may have their own way. But what is the advantage in forcing on all a standard packing ?

A. If two kinds of packing, one inferior and one superior, are allowed, it will create unhealthy competition, and tempt the merchants to risk even the damage of a few pieces in a bale for the sake of cheaper prices. Thus the general reputation of the Indian goods will be affected.

Q. But your suggestion would put up the price of Indian cloth. In these days when there is keen competition, even a small increase of price will affect the mills.

A. The increase is negligible.

Mr. Sridhar.—A bale of grey cloth will cost Rs. 400. By using very good gunny wrapper, it will add only Rs. 2 to the cost of packing. That is nothing when compared to the cost of the whole bale.

Q. You say " the industry cannot prosper even if a cent. per cent. import duty is levied on imported cotton goods." What makes you say that ?

A. *Mr. Bapaiya Chetti.*—That is not literally true.

Q. You mean an increase in import duty will not help the industry ?

A. If the defects mentioned in the statement are not rectified.

President.—Are there any Japanese dhoties coming into the Madras market ?

Mr. Sridhar.—No.

Witness No. 49

THE PIECE-GOODS ASSOCIATION, AMRITSAR

Written Statement dated 5th October 1926

On behalf of the Amritsar Piece-goods Association, we thank you for the courtesy you have shown by inviting us to place our views affecting the cotton textile industry in India, before you.

We may be allowed to state that this Piece-goods Association has been in existence for many years and it has on its rolls all the principal piece-goods merchants interested in the trade of foreign and Indian piece-goods, whose annual turnover aggregates to about six crores of rupees. Amritsar is the biggest distributing centre in the Punjab, N. W. Frontier Province and Kashmir. We are, therefore, in a position to know exactly the requirements of the consumer and also the defects that retard the sale of Indian piece-goods.

We may also state that we had very short time at our disposal to study the questionnaire, and to be able to answer the same in extenso. The questionnaire, so far as it deals with the technical aspect of the industry is, in our opinion, meant for the manufacturer only and we, as merchants can only present the case from the consumer's standpoint.

We submit that the textile industry is at present in an acute state of depression and the Millowners' Association at Bombay has dealt with this question quite elaborately. This depression has not only effected the millowners of Bombay but has also adversely affected the dealers who have had to suffer heavy losses in the Indian piece-goods trade.

The defects which are of a permanent character and which have brought about the present deplorable condition of our industry, are enumerated below.

1. The favourable exchange rate and the State help enjoyed by them has enabled Japan and Italy to deal a permanent blow to our industry and the Government of India will be hopelessly lacking in its duty if it does not take speedy measures with a view to counteracting the privileges enjoyed by the foreign manufacturers. This point has been beautifully and elaborately discussed by the Millowners' Association, Bombay.

2. The fixation of sterling exchange at 1*s.* 6*d.* per rupee is a serious blow to the development of the textile and other industries of India. Such a thing would be unthinkable in any national Government.

3. The assistance given by foreign banks to the exporters abroad and the importers too, in India compares most unfavourably with the assistance they and the other banks in India render to the indigenous industry.

We are, therefore, of the opinion that the cotton textile industry in India is facing a most severe crisis and it is the most imperative duty of the Government of India to save it from the collapse that threatens it every moment.

Every civilised Government, under such circumstances, has in the past realised its duty and protected its industry.

All that we ask is that the Government of India should follow in the footsteps of the Government of England in protecting the Indian textile industry as the latter did in the case of the British industry only a hundred years ago. We venture to submit the following recommendations to protect the Indian cotton textile industry :—

1. A Central Advisory Board of Control should be established with a view to exploring the possibilities of manufacturing the foreign styles of goods in India ; to sending Indians from the commercial class abroad for training in particular branches of the industry ; to creating new markets for the consumption of Indian manufactures ; to standardising the quality of goods and to advise the manufacturers generally as to the improvement of the industry.
2. The rupee should be stabilised at 1*s.* 4*d.* gold.
3. There should be an additional imposition of 13 per cent. as a protective duty on Japanese and Continental goods.
4. The Indian banks, specially the Imperial Bank of India and the branches of foreign banks in India should be asked to advance loans on Indian made piece-goods on more favourable terms than on goods of foreign manufacture.
5. Technical colleges to train labour, etc., should be established.
6. Municipal taxes should be abolished on Indian goods.
7. Railway freight should be reduced for Indian mill-made goods so as to be less than for foreign piece-goods.

We join hands with the Bombay Millowners' Association in expressing our opinion that " the future of the cotton industry rest-upon the findings of your Board " and we have every confidence that you will recommend such measures as will tend to protect the industry and save it from future on slaughts.

In conclusion we thank you again for the courtesy you have extended to us.

Witness No. 49

THE PIECE-GOODS ASSOCIATION, AMRITSAR

Oral Evidence recorded at Amritsar on the 12th October 1926

The following gentlemen represented the Amritsar Piece-goods Association :—

Mr. Diwanchand, M.L.C.,
Mr. Kishanchand, and
Mr. Dwarkadas.

President.—What is the membership of the Amritsar Piece-goods Association, Mr. Diwanchand ?

A. *Mr. Diwanchand.*—About 140. All the wholesale merchants are members of that Association.

Q. Are you the President ?
A. No. I am a member.

Q. Who is the President ?
A. Lala Tulsi Ram.

Q. Are there any other centres in the Punjab from which yarn and piece-goods are distributed, besides Amritsar ?

A. This is the biggest market in the Punjab for distribution. There are other small markets like Gujaranwala, Sialkot, Lyalpur, etc.

Q. What about Lahore ? Is that a big market ?
A. No. That is only a retail market.

Q. Do these centres get their goods from you, or do they import direct ?
A. They buy from us as well as from Karachi, Bombay and Calcutta.

Q. You mention certain defects which retard the sale of Indian piece-goods. Could you kindly tell us a little more about that. What defects are you referring to ?

A. At present the difficulties are that all the Indian made articles, piece-goods especially, are dearer than foreign goods.

Q. Is that the only defect ?
A. That is the most important defect.

Q. What other defects are there ? That is hardly a defect. That is a disadvantage rather than a defect.

A. You may call it so. But what we mean is that foreign goods are cheaper in comparison with Indian goods.

Q. Are there any other defects ?
A. We do not know of anything else.

Q. What about the quality ? Are you satisfied with the quality of the Indian piece-good that you get ?
A. Yes. Quite.

Q. You do not find that the Japanese for example are giving you a superior article at the same or at a little higher price ?

A. In that case the Japanese goods are cheaper in comparison.

Q. That means that you are getting a better quality at the same price or at a slightly higher price ?

A. Some sorts of goods are at cheaper prices, and in some cases better goods at the same price.

Q. What foreign goods are coming into this market ?
A. Specially unbleached stuff, greys from Japan.

Q. Sheetings ?
A. Grey sheetings, grey calicoes, etc.

Q. Grey shirtings ?
A. That is the same thing.

Q. Sheetings and shirtings are the same ?
A. Yes.

Q. We went round the market here yesterday but we did not find very much Japanese stuff there.
A. There is not very much.

Q. If that is so how is it that Indian mills are feeling competition so keenly ?

A. At this time of the year, we do not get big sales for calicoes or shirtings. It being the winter season, we sell larger quantities of coloured goods. At present Japanese flannelettes are taking the place of Bombay checks because they look much better and warmer. People find them woolly and if you look at them, you will see that they are like woollen cloth. So people think they are much better and at the same time the price is nearly the same.

Q. At this time of the year your principal market is in coloured and dyed goods ?

A. Yes.

Q. And do you get much of them from Japan ?

A. Yes, flannelettes come from Japan as well as from Italy now.

Q. You also get these coloured, printed and dyed goods from Italy ?

A. Yes, and from Belgium also.

Q. And you are also getting, I believe, a fair amount of German blankets.

A. Yes. That is a different line. That does not come in our line. They are not piece-goods. They come under the line blankets and rugs.

Q. Are not they sold by the piece-goods merchants ?

A. Very little.

Q. There are special merchants who deal only in them ?

A. Yes.

Q. Can you give us some sort of idea of the prices at which these various lines are selling as compared with the prices at which similar Indian goods are selling ?

A. No flannelettes are manufactured in India. They do not manufacture this sort of coloured and fancy printed flannelettes here.

Q. What about grey goods ?

A. We showed you yesterday some qualities of Indian grey goods as well as of Japanese. At the beginning of the summer we sell more grey and white shirtings.

Q. How much lower are the Japanese grey goods in price than the Indian mill goods, speaking generally—how many annas a piece ?

A. The Japanese goods are about an anna a pound cheaper.

Q. What about Manchester goods ? How far are the Japanese goods competing with the Manchester goods ?

A. *Mr. Dwarkadas.*—None of the Lancashire goods are competing with the Japanese goods except grey. Grey drills and grey shirtings used to come from Lancashire. Now Japan has taken their place.

Q. They have competed so successfully in fact that the Manchester goods are not in the market. Is that so ?

A. Exactly. About 12 years ago we used to import Lancashire grey shirtings, grey mulls and grey drills but just after the war the Japanese grey shirtings, longcloth and grey drills have replaced the Lancashire goods.

Q. Owing to their cheapness ?

A. Cheapness and better look, thick look. The Japanese mills use Indian cotton and Lancashire uses American cotton.

Q. Are you not getting any Manchester grey goods here at all now ?

A. *Mr. Kishanchand.*—We are getting very small quantities, particularly of grey jaconettes and grey shirtings of high qualities.

Q. Then in the coloured and printed goods, are the Japanese goods replacing the Manchester goods to any great extent ?

A. *Mr. Dwarkadas.*—Not to a great extent, but Italian goods are coming more in competition with Lancashire goods.

Q. It is Italian goods that are knocking out the Lancashire goods ?

A. *Mr. Diwanchand.*—Flannelettes also used to be manufactured in Manchester. Japan and Italy are now taking its place.

Q. You refer to the State help enjoyed by Italy and Japan. Have you any particulars about that ? Can you tell us anything about that beyond what has been stated by the Millowners ?

A. Nothing beyond that.

Q. Or the assistance given by the foreign banks ?

A. That we can say.

Q. What can you tell us about that ?

A. If we go to the bank to-day and ask them to lend us on, say, a hundred packages of foreign goods the position is this. Their usual rate of interest is 7 to 7½ per cent. and they only advance, say 65 per cent. of the value. Then one rupee per package per month is taken as insurance and godown rent. If you go and tell them here are a hundred packages of foreign goods they will at once give 65 per cent. of the market value, but if you ask them to advance money on a hundred packages of Indian goods, first of all they won't advance more than 50 per cent. Then, as the value of the Indian made goods per package is, say Rs. 300, they will give us Rs. 150 and the charge at Re. 1 per package per month comes to 10 annas per cent. per month nearly 10 annas and 6 pies, and 10 annas interest. That amounts to Re. 1-4-6 per cent. per month. Even then the English banks won't advance. They won't take these Indian goods so easily. Of course, if we are old clients and we have a loan account they might oblige us for some time, but as a rule they are not here for that business.

Q. You are referring to which banks ?

A. I mean the Chartered, National and all these English banks.

Q. Why do they make this difference between foreign and Indian piece-goods ?

A. For the very simple reason that they are not here to protect India. They are not here to help us. They want to see their country's goods sold and they give certain facilities for that.

Q. I can hardly believe that, Mr. Diwanchand. My point is that the bank has no interest in the matter except from a purely financial point of view. The bank is not concerned either to help or hinder Indian industry as against foreign industry. The banks are here to make money, and if they can make money equally well on Indian piece-goods as they can on foreign piece-goods they will treat them equally. There must be some other reason, some financial reason, for this discrimination. Can you tell us what that reason is ?

A. That is our practical experience. It is all very nice what they are here for and what according to them is their object here. But if you go and deal with them, you will find that our experience is right.

Q. I have no doubt your experience is right. I am not casting any doubt on that whatever. But my point is there cannot be any political reason for it. You seem to think it is some political reason. There must be some financial reason.

A. The financial reason is this, that they are here only to give facilities for goods imported from foreign countries, as far as my impression and my dealings go.

Q. Very well, take the Indian banks. Take the Central Bank of India. Has the Central Bank any branches here ?

A. Yes.

Q. Has the Bank of India any branch here ?

A. No.

Q. The Central Bank has a branch here. Do they make any discrimination ?

A. I have no dealings with them and I cannot tell you.

A. *Mr. Dwarkadas.*—It is only the Central Bank which freely advances money against the Indian made goods. It is the only Indian bank in Amritsar. If we go to the Chartered Bank or any other Associated Banks they say, 'no'. They advance money on foreign goods rather than on Indian goods.

A. *Mr. Kishanchand.*—If I may be permitted to say, a copy of our written statement was shown to the Central Bank and I had an interview with the Manager of the Central Bank yesterday and he told me that the Central Bank of India was prepared at all times to advance money on Indian goods. It made no distinction between foreign and Indian goods. And he asked me why we did not mention his name specially, because he was prepared to offer special facilities without any distinction.

A. *Mr. Diwanchand.*—Would he charge 6 per cent. interest ?

A. *Mr. Kishanchand.*—The interest is the same.

A. *Mr. Diwanchand.*—It is very difficult for a man to mortgage his goods and pay 15 per cent. interest.

Q. The point is, Mr. Diwanchand, if the Chartered Bank and the National Bank make this distinction, why don't you take your business to the Central Bank ?

A. Simply because it is difficult for a man to do business and pay 15 per cent. interest

Q. Because the Central Bank charges a higher rate of interest.

A. No, the rate is the same for the Chartered Bank, the National Bank and all these banks.

Q. I am sorry I have not got to the bottom of this yet. You say the Central Bank, the National Bank and the Chartered Bank all charge the same rate of interest, but that the Chartered Bank and the National Bank make a discrimination, that they advance on foreign goods and not on Indian goods. The Central Bank, we hear, does not make that discrimination. Therefore I want to know how it is that you and other members of your Association still deal with the National and Chartered Banks in preference to the Central Bank ?

A. I did not say there was any preference. I said I had no dealings with the Central Bank. Mr. Kishanchand has got some experience and he says that they are ready to do it. But I am asking what interest they charge. He says it is the same interest as in the case of the other banks and the same rate of godown rent per package. It comes to 15 per cent. interest.

Q. If the rates are the same for all banks ?

A. But excuse me, the foreign package costs say Rs. 1,000 and they advance Rs. 650 on that and charge you Re. 1 per month, which comes to 2 annas and 6 pies per month. Now, say, the Indian package is worth Rs. 300 and you get Rs. 150 on that, and you have to pay Re. 1 for Rs. 150, *plus* the interest at 7½ per cent.—7 to 7½ per cent., which comes to 10 annas. Adding 10 annas it comes to Re. 1-4-0 per month per cent. But my complaint is this that they do not charge the same amount on all packages alike. Instead of charging Re. 1 on Rs. 300 worth of goods they should charge 4 annas per month to make things equal in percentage.

Q. I am still far from understanding why it is that you do not go to the Central Bank, because it does not make this distinction between Indian and foreign piece-goods ?

A. You are mentioning my case.....

Q. I am not taking your case specially. I am referring to the market generally. Why don't they go to the Central Bank where there is no discrimination made between foreign and Indian piece-goods ?

A. First of all, Sir, Mr. Kishanchand has explained the position. He has been to the Central Bank and he has told you what the manager says. But I doubt very much whether he has got so much surplus money to take all these piece-goods in hand.

Q. That is another explanation.

A. There are so many other things—not one.

Q. I was trying to get at them.

A. One bank cannot control all the merchants in a big market like Amritsar.

Q. What about the Imperial Bank ? What line does it take ?

A. They won't do any loan business.

Q. No loans on piece-goods ?

A. No. They do the work of the treasury here just like the Government treasury. They never advance any loans to piece-goods merchants.

Q. I am surprised to here that. I thought they did ordinary banking business here as elsewhere ?

A. *Mr. Dwarkadas.*—At the very beginning they started, but they are not doing loan business freely now.

Q. You make various suggestions for the protection of the industry, the first of which is a central advisory board of control. How would you constitute that Board ?

A. An Advisory Board for protection.

Q. Who would be the members of that Board ?

A. All these merchants and manufacturers.

Q. But if the manufacturers cannot look after themselves, is a Board likely to help them ?

A. If the Government appoint a Board then the Board will report to the Government, and Government can do every thing. If it were left to these manufacturers and merchants, I do not think they will be able to do it. They can do to some extent, but if a Board is sanctioned by Government, I think that will be much more beneficial to the industry here.

Q. How could such a Board create new markets, Mr. Diwanchand ? The mere existence of a Board in India would not create new markets abroad. Would it ?

A. I do not know how far it would help that way. But to a certain extent they can help. If they go abroad and find out that certain goods are coming from other markets, we can manufacture them and we can send those goods to those markets. That is how

they will find out markets and when they find out, they can sell the goods cheaper or at the same rate and give a better article.

Q. You could get that information by the appointment of Trade Commissioners ?

A Anything in that way. That is only a difference in a name. That is what I mean.

Q. When you talk of standardising the quality of the goods, what is it that you mean ?

Raja Hari Kishan Kaul.—You mean the quality is not adhered to ?

A. *Mr. Dwarkadas.*—For instance, the Bombay millowners manufacture certain goods the weight of which is say 6 pounds. Afterwards they reduce the weight by a pound or half a pound and they put the same thing on the market. Naturally by diminishing the weight they diminish the durability of the goods. They change the quality as well as the finish and the result is that after diminishing the quality, their goods are absolutely ruined.

Q. Is that common in Bombay ?

A. Absolutely common.

Q. Isn't it an important defect ? You said you were quite satisfied with the quality of the Bombay goods, but now you mention what seems rather a serious defect.

A. Last year they brought out certain goods, the weight of which was 6 pounds a piece. But they could not get the price in comparison with the prices of the foreign goods. So this year they will take off one pound from the quality. By taking that one pound off they reduce the quality, and diminish its durability. Also the look of the cloth is gone and after some time the Indian goods will be stopped in competition with foreign goods. Therefore what we want is that the Bombay manufacturers should try to keep up the quality and also explore other means as to how they can compete with the foreign goods rather than by lowering the quality, finish and weight.

Q. Whilst we are on this point, will you tell us if you get more goods from Bombay or from Ahmedabad ?

A. From Ahmedabad as well as from Bombay.

Q. Which sends most ?

A. At present Ahmedabad sends most.

Q. You get a certain amount from Cawnpore, I suppose ?

A. Not much, Sir. They have their own agents here, the Muir Mills and the Elgin Mills.

Q. Speaking generally, are you more satisfied with the quality of the goods you get from Bombay than you are with those you get from Ahmedabad, or is it the other way round ?

A. We are more satisfied, at least I am—I am a dealer—with the goods received from Bombay than from Ahmedabad. Sometimes the Ahmedabad mills put more finish on their goods.

Q. More size ?

A. Yes.

Q. Is that your experience, Mr. Diwanchand ?

A. *Mr. Diwanchand.*—I have no complaints about the goods manufactured in Bombay.

Q. What about Ahmedabad ?

A. Ahmedabad is quite a different line altogether. Ahmedabad mostly manufactures coarse goods and very cheap lines.

Q. Satisfactory lines ?

A. Yes, because it is a very, very cheap line.

Q. It is as good as you can expect for the money ?

A. Yes, quite. As far as standard goods are concerned, they manufacture the same when they get the standard. The manufacturer is not a fool to reduce the weight or quality. Such things are done only by people who have very small capital and have only a small mill. An inexperienced manager may do this sort of thing, but in the end it never pays. What Mr. Dwarkadas was mentioning was about mills which have no standard lines yet.

A. *Mr. Dwarkadas.*—Even mills having standard lines do the same. [Take the E. D. Sassoon group, the Currimbhoy group, etc. Now there is Number 210 of the Indore and Malwa mills. Last year they supplied their goods in the weight of 5½ pounds and this year they have brought out the same designs and the same finish, but the weight is 5 pounds. They sell us only five pounds. By doing so, they are lowering the quality.]

Q. What you really mean, Mr. Dwarkadas, is the purchaser who buys this line from you is not sure that he is going to get the same quality as in the last year, and that has a bad effect ?

A. Why the Bombay millowners do all this is owing to foreign competition.

Q. You think it does not pay in the end?

A. The better the goods the more the consumer will appreciate them and he will always try to buy that particular quality. That is why the standard makes are selling. The consumer buys those goods with confidence without questioning the quality. But then the quality is well maintained.

A. *Mr. Diwanchand.*—What I understand Mr. Dwarakadas means is that there are different mills marking the same numbers on different cloths, which they ought not to do. There is the Currimbhoy 210. Some other Indore mills may also use the same number. They don't take different numbers and different designs. If one mill is making one quality of six pounds and give it the number 210 the other fellows want to cut into the market and so make the weight 5½ pounds and 5 pounds and giving the same number. What I understand Mr. Dwarkadas wants is that each of them should have a trade mark and nobody else should use it.

Q. That is not how I understand Mr. Dwarkadas. Mr. Dwarkadas, am I right in understanding you to mean that a mill sends out one number one year, say 210, and the same mill sends out No. 210 the next year, but that in the second year the quality and the weight are not the same as they were in the first year?

A. *Mr. Dwarkadas.*—Exactly.

A. *Mr. Diwanchand.*—But do they use the same ticket? Do they use the same ticket for 6 pounds and 5 pounds?

A. *Mr. Dwarkadas.*—Absolutely the same ticket.

A. *Mr. Diwanchand.*—I differ.

Mr. Subba Rao.—Have you samples of last year? Can you give us the two samples?

A. *Mr. Dwarkadas.*—If the Board likes, I can send them later on.

Q. Please remember to do so. We shall be very glad if you can send them. Our trouble is that witnesses who promise to send us things never send them. So far we have had hardly a single case in which witnesses who have said they will send us samples have actually sent them. I hope you will prove an honourable exception to that.

A. I assure you I will send them, because I have got a shop there in Bombay. We generally get these from different mills.

Raja Hari Kishan Kaul.—You are talking of spurious imitation which so far as we have seen does exist. One mill imitates another mill's lines and produces lower weight or a little worse quality and sells at a cheaper price. There is also the other defect which Mr. Dwarakadas mentioned—one mill trying to economise by reducing the weight and reducing the finish and trying to produce a cheaper quality of the same brand and selling it at a cheaper price in order to compete with the foreign goods. They are two separate things.

A. *Mr. Diwanchand.*—But they won't give the same trade mark. They won't put the same ticket on the cloth.

President.—I do not propose to say much about exchange, Mr. Diwanchand. We have already heard a great deal about that from other witnesses.....

A. *Mr. Diwanchand.*—That is the only point. If you do not want that point it is no use our coming here, because it is the whole trouble. If you won't give us a chance to explain this.....

Q. Do, by all means.

A. That is the only point in our favour. If you want to protect India, do please hear us and give us a verdict.....

Q. If you will allow me to explain, what I meant was that the Bombay Millowners' Association have already gone into the arguments for the 1*s.* 4*d.* exchange at great length, and I was not quite sure that you could throw any further light on it. But if you feel you would like to talk about it, we shall be pleased to hear you. What we have to remember is that this is not a Currency Commission and that even if we were to recommend a 1*s.* 4*d.* exchange, the Government would say "We have already had this question thoroughly examined by a body far more competent than you are and therefore your recommendation is of no value to us." That is my point. But if you like.....

A. If they want to ignore the trade, they can do anything.

Raja Hari Kishan Kaul.—The only concern we have with it is to see whether 1*s.* 6*d.* is going to be more advantageous or whether 1*s.* 4*d.* is going to be more advantageous. It is not our business to fix exchange at 1*s.* 6*d.* or at 1*s.* 4*d.* If you can give us any arguments or facts.....

Mr. Subba Rao.—Arguments drawn from the cotton industry, and not general arguments.

Raja Hari Kishan Kaul.—If you can show us that 1*s.* 4*d.* or 1*s.* 6*d.* is more advantageous to the cotton trade we shall be glad to hear you.

President.—We have not the slightest desire to prevent you saying what you wish to say, Mr. Diwanchand.

A. *Mr. Diwanchand.*—By fixing 1*s.* 4*d.* and by fixing 1*s.* 6*d.* we lose both ways, because the goods manufactured in Europe are selling here in Indian currency, that is in rupees and annas. Then take the Indian produce. If we send this cotton to-day we get 5as. 3 pies, but at 1*s.* 4*d.* exchange we get 6 annas. We get now less for our produce and by getting less money the producer gets poorer and poorer and he will consume less goods. Again foreign goods will sell here in rupees and annas. As far as my experience goes, they don't see what it costs them and charge 6*d.* if it costs them 6*d.* They say they want to know what they can get for those goods by selling them in India. If the exchange is stabilised at 1*s.* 4*d.* we will be paying the same amount of money in rupees and annas as when it is stabilised at 1*s.* 6*d.* We get less for our produce and pay more for their manufactures, which means they will get more for the manufactured goods in their currency. They pay us less for the produce. If Government will fix 1*s.* 4*d.*, most of this competition will go.

Raja Hari Kishan Kaul.—The foreign manufacturer does not get more rupees at a high rate of exchange. He gets fewer rupees for his exports. I understand you to mean that in exporting our goods a low rate of exchange gives us more rupees, and that the price of the imported cloth is fixed in rupees and not in sterling. Therefore you do not lose in imports while you gain in exports. But you cannot say that you have to pay more to the exporter at a high rate of exchange. You will pay him less.

A. He pays for the goods in shillings and pence, but it is rupees and annas here.

Q. Do you mean to say that you pay more rupees at a high rate of exchange ?

A. We do not pay, but the other man gets it. He gets more shillings and pence.

President.—You said the exporter loses by this high rate of exchange. If he loses, how is it that Indian cotton just now is dearer than American.....

A. That is only on account of exchange.

Q. If the price of Indian cotton is higher than the American at the moment and it is paying the Bombay millowners to buy American cotton, the cultivator of Indian cotton cannot be losing, as you say he is ?

A. *Mr. Dwarkadas.*—The Indian cultivator is losing because the American cotton is cheaper. The consumer will buy the cheaper thing and the Indian cultivators' cotton will have no market.

Q. Prices will have to come down undoubtedly if Indian cotton is to be sold at all. But it does not look as though the Indian cultivator is going to lose if the price remains high in comparison with American cotton.

A. *Mr. Diwanchand.*—Our cotton seems to be dearer on account of the rate of exchange.

President.—I see you suggest a 13 per cent. duty on Japanese and continental goods ?

A. Yes, 13 per cent. protective duty and the 1*s.* 4*d.* exchange per rupee.

Q. Why have you left out British goods ?

A. That is the view of our Association, Sir.

Q. Why is it the view of your Association ?

A. They think it is quite enough for the present.

Raja Hari Kishan Kaul.—Because you are the importers of British goods ?

President.—You suggest the abolition of municipal taxes on Indian goods. I do not know what Municipalities will have to say about that. Municipalities must have an income and I do not know how they are to get it if you exempt Indian goods from the usual municipal taxes.

A. *Mr. Diwanchand.*—There are many other things on which they can charge. We mentioned municipal taxes and railway freight also.

Q. Why should municipalities be expected to exempt mills from the usual taxation ?

A. Simply because these goods are used by the poorer classes.

Q. If you exempt cotton goods from taxation why should not you exempt other goods also ? What taxes do you pay here ?

A. Income-tax, octroi or terminal tax.

Q. What municipal taxes do you want to be abolished ?

A. In some municipalities they charge octroi duties at 1¼ and 2 per cent.

Q. Do you want octroi duties abolished ?
A. Reduced.

Q. Reduced on all goods.
A. Only on Indian goods.

Raja Hari Kishan Kaul.—You say municipal taxes should be abolished on Indian goods ?

A. *Mr. Dwarkadas.*—Yes, on Indian goods ; specially piecegoods. We are representing the point of view of the piecegoods merchants.

President.—Why should octroi on piecegoods be abolished and not on everything else that comes in ? Do they charge octroi on grain ?

A. *Mr. Diwanchand.*—They do.

Q. Why should not octroi on grain be abolished ?
A. Grain merchants can come and speak about that.

Raja Hari Kishan Kaul.—You do not object to that ?
A. No. We do not object.

President.—How are they going to make up their income ? They have to get their income somehow.

A. They will find out ways and means.

Q. You will have to pay in some other way.

A. We will pay in another capacity but not in this capacity. This octroi duty plus the other duties and railway freight comes to a very heavy charge.

Q. But not more so on these goods than on any other class of goods ?
A. It is a much less percentage than in this.

Q. The percentage is the same ?

A. Only in octroi. The railway freight is different. The foreign manufactured goods pay only Rs. 9 for a Rs. 1,000 package. That will only come to about 1 per cent. We are paying 4 per cent. higher in railway freight.

Q. You want the railway freight altered according to the value of the goods ? I think you will find it a little difficult.
A. Yes.

Raja Hari Kishan Kaul.—I just want to clear one or two points. You said there are certain distributing centres in the Punjab. Gujranwala is one.

A. Yes and Lyallpur. Pindi is for the Frontier. Lyallpur is for the colonies,. Hoshiarpur used to be a distributing centre.

A. It is no longer an important centre.

Q. Lyallpur people are beginning to import direct from Karachi ?
A. Yes, and also from Bombay.

Q. Mr. Diwanchand, you deal mainly in European goods and that is why you do not deal with Indian banks.
A. Yes.

Q. I understand your position to be that the Indian banks have on the one hand not enough surplus to advance as loans and on the other hand they do not offer any greater facilities than the English banks, for Indian mill made cloth. You say that generally the English banks do not do so. But when they do so, they advance at certain rates which are unfavourable to Indian mill made goods and that the Indian banks do not offer any better facilities than are offered by the English banks ?
A. Quite so.

Q. Then I understood you to say that generally speaking people were satisfied with the Bombay mill made goods. You probably mean both Bombay and Ahmedabad ?
A. Both.

Q. You say they are cheap and inferior. But that is the kind of stuff the people want here.
A. Yes.

Q. There is not much import of Japanese goods here ?
A. Not very much here but it is increasing.

Q. I wanted to ask you whether Japanese imports had any influence in Amritsar in reducing the prices of Bombay and Ahmedabad goods.

A. *Mr. Dwarkadas.*—For instance, printed goods are cheap in comparison with the Bombay check cloth.

Q. Do you mean to say that the Bombay mills have to reduce their prices of check cloth in order to compete with flannelettes which come in from Japan ?
A. Yes.

Q. Does it actually happen ?
A. *Mr. Kishanchand.*—They have to reduce prices.

Q. That is on checks. Had they to reduce prices in any other line ?
A. *Mr. Dwarkadas.*—Grey shirtings and grey drills.

Q. You think there is enough import of Japanese cloth here to force the prices of Indian mill made cloth down to a lower level ?
A. Yes.

Q. You said that all these municipal taxes should be abolished. You pay octroi or terminal taxes on the cloth which you import, but do you not pass those taxes on to the consumer ?
A. *Mr. Diwanchand.*—It has to be passed on, but that means adding more to the price.

Q. How much does that add to the price ?
A. There is the 5 per cent. freight also.

Q. Generally speaking, how much per piece does it add ?
A. Four annas a piece.

Q. Four annas on goods worth 10 or 15 rupees ?
A. Four annas on Rs. 5 worth. The railway freight alone comes to 5 per cent.

Q. Even if it is 4 annas on Rs. 5, it will only be about an anna in the rupee. Does it materially affect the consumer ?
A. By adding another ½ per cent. and so on it adds up.

Q. You want to better the condition of the customer, but it does not handicap him in respect of the Indian mill goods any more than in respect of the imported goods ?
A. No.

Q. You were talking just now of Japanese imports of cloth more or less of the same quality and generally cheaper in price. So you cannot apply that analogy to imports from the United Kingdom where one bale is worth Rs. 1,000. To-day if the Indian mill made cloth is worth Rs. 300 the Japanese cloth also is worth about that. So that is not a handicap for the Indian mill cloth and the mills do not suffer ?
A. Not much. If you want to give protection to the industry, you must see what protection should be given.

Q. We want to see whether the Indian mill industry is suffering from any particular circumstances, and if so what protection should be given. So in this respect they are not suffering.
A. Yes, not on account of 4 annas ; but there are other respects too.

Q. Talking about the Central Advisory Board, I understand you to mean that they should exercise some sort of control over mills. Do you think that mills will submit themselves to any control by the Advisory Board ?
A. I think if it is beneficial to the mills there is no reason why they should not.

Q. What I mean to ask you is, do you propose that Government should legislate and force the mills to adopt certain measures, or do you mean that they should advise the mills and that the mills should act up to the advice of this Board ? Do you think the mills will act voluntarily upon the advice of this Board ?
A. When they get certain advice they will take it.

Q. Suppose the Board advises them not to go in for spurious imitations, do you think they will accept it ?
A. Yes, in the long run it will benefit them.

Q. For the present, however, they are not so far-sighted.
A. They are educated people who have got a stake in the mills.

Q. Then they would not have adopted these methods.
A. But I do not admit that. There may be one or two ignorant people doing so.

Q. You think generally they do not do so. You mean only the less well managed mills do it. But those mills which do it do so for certain advantages ?
A. They will find it is a blunder for them, because the next day nobody will buy that

Q. That is in the future. People do not live in the future. What it would come to is that the Advisory Board will have to investigate and advise Government and Government will have to legislate ?
A. Not in that way.

Q. You are not thinking of that ?
A. The Advisory Board is not a legislative body.

Q. They will have to advise the legislature. But you are not thinking of that. You think that the Advisory Board will advise the mills.
A. *Mr. Dwarkadas.*—Their function should be to study what sorts of goods are being consumed.

Q. That I can understand. I am talking of the standardisation of the goods.
A. We are not for making any legislation. We think that they should advise the mills.

Q. Whether they accept the advice or not ?
A. Yes. The Advisory Board should see whether Indian mill goods can be sold, for instance in Basra, Baghdad and other places.

Q. That will be the work of a Trade Commissioner.
A. *Mr. Diwanchand.*—Yes.

Mr. Subba Rao.—Do you get your foreign goods through the Port of Karachi or through other Ports also ?
A. *Mr. Dwarkadas.*—Karachi.

Q. So that, the goods that come from Karachi are practically consumed in the Punjab in the main ?
A. The Italian goods enter the country through Bombay.

Q. The goods that come through Karachi mostly come to the Punjab market ?
A. Mostly for the Punjab market, and to some extent to Delhi.

Q. I have got here the main classes of goods that come from Karachi and I find they are mostly bleached goods. It was 152 million yards last year. That seems to be your largest import ?
A. Yes.

Q. Can you give us some idea as to the amount of Indian made cloth that is sold in your market ?
A. I think roughly about one crore of rupees worth of goods.

Q. What class of goods ?
A. Mostly coloured and bleached.

Q. Which part of India do you get your bleached goods from ?
A. From Bombay as well as Ahmedabad.

Q. Do you know if Bombay mills, apart from opening shops here, have made any efforts to find out what sort of goods you want ? Do they send agents here ?
A. They have never done so.

Q. Do they send samples as the Japanese send out samples ?
A. Those mills which have got their agents here send them their samples here.

Q. To their agents ?
A. Yes, not to the dealers.

Q. Does any member of your Chamber deal with Bombay firms ?
A. They have their commission agents there and through them they buy the Bombay and Ahmedabad goods. We call them *adatiyas.*

Q. Is there any difference as regards the accommodation given by the foreign firms and by the Bombay firms ? Do the buyers get better or similar terms from Bombay mills or their agents than they get from foreign dealers ?
A. I think there is not much difference. The only difference is that when we buy foreign goods the associated banks advance loans.

Q. You mean the exchange banks ?
A. Yes.

Q. It is easier for you to get accommodation from them ?
A. Yes. Suppose I get 10 packages from Bombay of Bombay mill goods and I tender the invoice and railway receipt to some bank here.....

Q. I am speaking of mills themselves. They make no difference ?
A. No.

Mr. Majumdar.—As regards samples, you said that the Bombay mills send their samples to their agents. Don't the agents show the samples to the merchants ?
A. They show to those who want to buy goods from them.

Q. Do the agents give samples to merchants if they want them ?
A. They do.

President.—How are stocks here, Mr. Diwanchand ? We have been given to understand that stocks upcountry are very low indeed. Is that so ?
A. *Mr. Dwarkadas.*—Quite normal.

Q. One of the reasons given for the depression in Bombay is that the mills are holding enormous stocks, and we have been told that the reason for their holding such onormous stocks is that merchants upcountry are buying from hand to mouth and they have not the stocks in hand now that they used to have, and that therefore the millowners have to hold these stocks which used to be held by the dealers ?
A. People here cannot afford to keep such large stocks.

Q. If that is so, you can hardly call the stocks normal.
A. Because it is the beginning of the season now.....

Q. You mean that you are holding the usual stock of goods that you have been holding for the last two or three years. What I want to know is whether these stocks are as big as you used to hold before the war ?
A. Since the last two years people are keeping very little stock. They cannot afford to keep large stock. Prices are going down.

Q. How much less stock do you think are they holding than they used to—half or a quarter ?.
A. Say, about 50 to 60 per cent. During the war they were in the habit of speculation. Therefore where the consumption was 5 bales they used to buy 10 bales in anticipation of realising more profits. Now there is no confidence in the market. If I think there is consumption of 2 bales I will buy only 2 bales and not 3 or 4. Therefore I told you that the goods are normal in comparison with the consumption of the goods.

Witness No. 50

THE MECHANICAL ENGINEERS ASSOCIATION, BOMBAY

Written Statement dated the 15th October 1926

On behalf of the mechanical engineers of the Bombay Presidency in general and Bombay and Ahmedabad mill engineers in particular my committee has the honour to submit to the Indian Tariff Board our candid opinion on the working of the Bombay Boiler Rules which are detrimental to the interest of the millowners and the mill industry to which my committee hopes that you will give due consideration.

Up to the year 1923 the mill engineers were responsible for the working of the mill boilers under the Boiler Rules, and the mill engineers had worked very satisfactorily for a period of nearly half a century, satisfying both the millowners as well as the requirements of the Government for the responsibility imposed on them.

In the year 1923 a draft of new bolier rules was gazetted by the Bombay Government which meant that the owner of a boiler should compulsarily engage a certified boiler attendant on his boiler and such boiler attendant should always be stationed on the boiler whenever the boiler was lit.

All the mechanical engineers of the Bombay Presidency as well as from other Presidencies unanimously opposed the introduction of the new Bombay Boiler Rules, and with facts and figures condemned them root and branch on the ground that they were both ruinous to the boiler owner, and would effectively check the growth of the Indian industry and the mechanical engineering profession, etc.

But in the teeth of severe opposition from all sides the Bombay Government introduced these famous Boiler Rules in 1924 because one of their officials was keen about them, and was backed up by his self appointed commissions and committees and a few of the millowners (who did not understand what would be the effects of the rules, etc).

My Committee deems it necessary to write to you so late as it finds that recently prominent millowners are getting very restive over the question and have given evidence to that effect to your Commission.

Still to the present date my Committee is persisting and writing to the Government to abolish these rules, but we do not want to waste your precious time by giving all the details.

By the introduction of the Bombay Boiler Rules in 1924 many of the millowners were obliged and forced to engage a separate boiler attendant or extra first and second class engineer according to their requirement in spite of the mill engineer being on the premises, which in the opinion of our Committee is an unjustifiable and useless tax on the millowners, and an extra burden on the industry in general in such hard times.

In the 7th Conference of our Association at Dhulia in September last presided by a Boiler Inspector of the Government of Bombay, we found that the majority of the boiler owners including officials were against these rules and they sincerely desired to do away with them as soon as possible.

It is quite beyond the imagination of a sensible person why a boiler attendant, should be posted on a boiler, as he is quite a superflous, unnecessary and useless person when the mill engineer who was responsible for the working of the boilers for the past 50 years is already on the premises.

My Committee is of opinion that if such harmful rules are allowed to go on without check, in the long run it will banish many of the small industries where boilers are a necessity and will have a harmful effect on the mill industry also, and so strongly recommends that this unjustifiable piece of legislation should be abolished *in toto* as soon as possible.

My Committee earnestly request the members of your Board to examine this question of boiler attendants together with the evidence of the Mill Owners' Association of Ahmedabad which was given to your Board on September 14th last and if found advisable to recommend the Government of Bombay to cancel this compulsary employment of certified boiler attendants and so to reduce the burden of expenses of the mill-owners in such trying conditions for which act of kindness we shall be highly obliged.

In the event of your asking for any more information about the same we will do our best to supply it.

Witness No. 51

HE INDIAN INSTITUTE OF POLITICAL AND SOCIAL SCIENCE, BOMBAY

Written Statement dated the 11th September 1926

The currency system and practice of India has, since 1893, been unsatisfactory. It has been neither automatic nor simple and therefore in abnormal times it has always caused trouble and loss.

2. When in 1893 the rupee was broken from its silver parity, Government ought to have done something to prevent the disturbance likely to be caused in the Indian cotton trade with China. The exchange fluctuations have, no doubt, affected the mill industry, especially those due to fixing of the rupee at 2*s.* in 1920, which has caused immense loss to the country along with the mill industry.

3. The British policy in India has been that of free trade. Therefore they never bothered themselves with protection. Now that almost every country has adopted a protective policy the British Government also have had to do the same. The result is that the Colonies including India are now allowed to use the weapon of a tariff. A tariff by itself does not help industries unless it is supported by effective machinery, efficient management, freight facilities, etc. The British Government have neglected to do all these things so far as India is concerned.

4. The present difficulty has arisen on account of the slump in the cloth market. Heavy stocks have accumulated and the mills are reported to be losing. This is attributed to depreciated exchanges of foreign countries especially Japan and to Japanese mills being allowed to work two shifts for 20 hours a day and to employ women and children at night.

5. The London/Japan cross rate is quoted at 1*s.*—11$\frac{1}{16}$*d.*; while the rupee exchange is quoted at 1*s.* 6*d.* The rupee/yen exchange is quoted at 133 rupees per 100 yen. That shows that the rupee/yen exchange is at gold parity and we are unable to understand how the present exchange rate is advantageous to Japanese exporters to India. Moreover it cannot be maintained that a depreciation of the standard of value permanently stimulates exports.

6. As regards Japanese mills working two shifts and employing women and children at night, it is a question of fact and must be ascertained. Besides we do not know how far India can legitimately claim to equalize labour conditions in Japan as, in some quarters it is felt that the conventions of the International Labour Conference are intended to some extent at least, to guard the industries in the West against the effects of cheap labour in the East.

7. If, however, Japan has, as alleged, certain advantages such as low exchange, freight facilities, etc., what is India to do? Is she to sit quiet and leave the industry to take care of itself? No, this cannot be. It is a national industry and must be protected at any cost. If the British Government were nationally disposed they would at once develop the Indian Mercantile Marine, secure facilities of railway rates, improve machinery and methods, make labour efficient and thus make the industry so strong that it would not only not mind competition from Japan, but could hold its own in the world competition. It would not stop even at this, but would do its best to see that machinery is made in India, as "the source of machinery is a significant clue to the position of an industry as a whole". Machinery made on native models and with native genius is certainly more efficient. But as this does not seem to be practicable in the immediate future. India may do whatever is possible, though it is true that when an industry is threatened by adverse conditions, it is forced "to put its best foot foremost". Methods improve plants change hands and gain in efficiency. But this is not without risks, and India cannot afford to take them.

8. Protective import duties suggest themselves as the first remedy. They will achieve their purpose only if they are comparatively high. But, in that case, they will raise prices and affect consumption which in turn will affect the industry prejudicially. As the Japanese competition is confined only to narrow limits, duties on all imports may go beyond the limits of their purpose.

Besides it must not be forgotten that protective duties have a tendency to remain. In such cases, therefore a bounty is better than a duty, as it makes a better impression not only on the general public but on producers.

Witness No. 51

THE INDIAN INSTITUTE OF POLITICAL AND SOCIAL SCIENCE, BOMBAY

Oral Evidence of Mr. C. S. Deole recorded at Bombay on the 11th September 1926

President.—I should like to know exactly whom you represent, Mr. Deole ?
A. The Indian Institute of Political and Social Science.

Q. What is this Institute ?
A. It deals with problems from an Indian point of view—political, economic and sociological problems—in all their aspects in a scientific manner.

Q. When was it founded ?
A. In the year 1917, when it was called the Indian Liberal Club, of which Sir N. Chandavarkar was the President. But in the year 1924 it was reconstituted and its scope was widened and all the subjects, including politics, economics and sociology were included in its scope, and it was called the Indian Institute of Political and Social Science.

Q. It is really an economic and sociological society ?
A. Yes.

Q. You are an office bearer ?
A. I and Dr. Ambedhkar are Secretaries. Mr. K. Natarajan is the President.

Q. How large is its membership ?
A. The membership is 80.

Q. I do not quite understand how an Institute composed as yours is in a position to express any views on a subject of this kind. I am myself a Fellow of the Royal Economic Society, and so is Mr. Subba Rao and I cannot imagine the Royal Economic Society coming forward to express views on this subject or any other economic subject.
A. We have confined ourselves to two questions only—the questions of exchange and protection.

Q. But I do not understand how your Institute is in a position to put forward views on such a complicated question as exchange. It is a question on which experts differ and I should have thought that the experts on the Committee of your Institute might also differ.
A. Sometimes they differ, but we have to go by the opinion of the majority. We have been devoting time and thought to the question of exchange for a very long time.

Q. I have no doubt that you have. But my point is that I cannot understand how a body which calls itself an Institute of Political and Social Science and which is in the same position as any other learned Society, such as the Royal Economic Society or the Royal Asiatic Society or any of such societies, is in a position to put forward a case on behalf of a society on questions on which, as one knows, experts differ. That is my point. What I am trying to get at is how far this can be said to represent the views of the whole of your Society. How many members does your Committee consist of ?
A. It consists of 15 members.

Q. These 15 members are entirely agreed on the points here put forward ?
A. Of course I cannot say that all the members were present when this was considered, but the majority have agreed.

Q. How many members were present when this question was considered ?
A. About 8 members.

Q. And they agreed on these questions ?
A. Yes.

Q. It is a little new to me, I must confess, to find a learned society as such putting forward a case on matters of this kind.
Mr. Subba Rao.—Have you given evidence before any other Commission in the same capacity ?
A. I have given evidence before the Fiscal Commission.

Q. In your personal capacity ?
A. I gave evidence before the Fiscal Commission as the Secretary of the Indian Economic Society.

Q. Of which you were running the journal for some time ?
A. Yes.

Q. Have you given evidence in any representative capacity before any other Commission ?

A. I submitted a written statement to the Royal Commission on Indian Currency.

Q. On behalf of the Society ?
A. Yes, on behalf of the Institute.

Q. Were you examined also ?
A. No, I was not examined.

President.—Does your Society publish any annual report ?
A. Yes.

Q. If you could send me a copy of it I should be glad to have it.
A. Of course we publish it in the papers, a brief statement, but we have not published it otherwise. I will send you a typewritten copy.

Q. Is membership open to anyone who wishes to join ?
A. Yes.

Q. Independent of their views on economic and political questions ?
A. Yes ; anyone.

Q. Coming to your statement, Mr. Deole, your Institute I gather is opposed to protection ?

A. It is not opposed to protection entirely ; but if protection is to be given it should be given with all the safeguards.

Q. What safeguards ?
A. What sort of protection should be given will be the first question. There are various ways of giving protection and in this particular case whether the protection should assume the form of import duties is one of the questions, and I have touched on that point in my written statement and shown that import duties have a tendency to stick on and cause pressure on the consumers. In this particular case, I do not think it is necessary to protect the industry in this form.

Q. You think other methods should be adopted, such as the development of an Indian Mercantile Marine, facilities in regard to railway rates, improvement of machinery and methods and improvement of the efficiency of labour, and that Government should take action in regard to these. Have you studied this question of railway rates ? Have you any reason to suppose from a study of it that the rates are too high ? It is an easy thing to suggest, as you say, that Government should secure facilities in regard to railway rates, but have you studied the way in which that can be done and the extent to which it is desirable, in view of the fact that railways have to be run on commercial lines ?

A. Yes, railways have to be run on commercial lines, but I find that the railway rates are more in favour of the transport of the imported goods from here into the interior than that of the home-made goods.

Q. How can that be ? The rates on piece-goods from Bombay to upcountry stations must be the same for imported goods and for goods manufactured in Bombay ?

A. They have got a classification. I cannot give it exactly, but the classification arranged is in such a way that it affects the goods here rather prejudicially.

Q. All I can say is that if you bring forward any evidence in support of this it would be of the greatest value. The millowners themselves who are in a position to put forward the strongest case have not mentioned that they are under any disadvantage in sending their goods upcountry as compared with imported goods. They have not mentioned any classification which hits them adversely ; and if they have not been able to put forward such cases, I find it difficult to believe that such a case can exist.

A. Of course I cannot mention it just now.

Q. You have made a statement which is of the utmost importance. You have stated that imported goods have facilities in the matter of railway rates when they move upcountry which are denied to goods made in Bombay. If you can bring forward any evidence at your leisure, in the course of the next fortnight or three weeks, which supports that, we should be extremely glad to have it because it is a matter which is obviously of very great importance. I should be very glad indeed if you will send us a further note on the subject clearly stating whether you are able to substantiate this statement or whether as a result of further researches in the matter, it was made under a misapprehension. Will you kindly do that ?

A. Yes. (Annexure A.)

Q. Now, about the improvement of machinery and method of manufacturing and making labour more efficient. What action do you consider that Government can take in regard to that ?

A. What I mean is that it is not always that Government can do the whole thing. But jointly with the millowners Government can do it. They can initiate certain measures.

Q. What sort of measures ?

A. For instance, in the matter of the training of the workers. If a school is started, the millowners may be made to subsidise it, and all labourers can be trained and made more efficient.

Q. Do you consider that the industry can be regarded as in a healthy condition when the Government has to do everything for it ?

A. No, what I mean is, not that Government should do everything, but Government must create an atmosphere of protection.

Q. You just said that you are opposed to protection, or rather that you do not like protection. Now, you want Government to create an atmosphere of protection ?

A. What I mean is if there is competition, unhealthy competition going on, and if the national industry is likely to lose its foothold, then certainly Government has to take certain measures. Every Government has done that. Even the British Government had to pass the Safeguarding of Industries Act.

Mr. Subba Rao.—You are not committed to any extreme *laissez-faire* doctrine. You are a believer in Government intervention in these matters ?

A. No, I am not committed to the doctrine. I believe in State intervention.

President.—Regarding the question of exchange, Mr. Deole, you point out the rupee-yen exchange is now at gold parity but that you are unable to understand how the present exchange rate is advantageous to the Japanese exporters to India. Do you mean advantageous to Japanese exporters as compared with the exporters from the United Kingdom; or, do you mean that the 1*s.* 6*d.* exchange is not more favourable to exporters to India than 1*s.* 4*d.* ?

A. I find in the statement of the Millowners' Association that they lay great stress on the question of exchange when it was 153, and now it is 132. And of course whenever we consider this question of exchange we have to consider the question of the prices, and we find that now exchange rates have reached such a stage that if gold prices are taken into account they will be the same everywhere, because gold parity has been reached between the London and Bombay exchange and Indian and Japanese exchange.....

Q. I quite understand that. What I really want to know is whether this is meant to endorse the view or to oppose the view that the 1*s.* 6*d.* exchange is favourable to the exporters to India either temporarily or permanently ?

A. I did not say anything about that. I take it for granted that 1*s.* 6*d.* is there, and compare it. Whether 1*s.* 6*d.* is more favourable or not, I did not say. I simply take the facts as they are and make a statement that the present ratios are such that they should not cause any disadvantage to Indian exporters or should not give any advantage to the Japanese exporters to India.

Raja Hari Kishan Kaul.—Have you any views on the question whether 1*s.* 6*d.* exchange is a handicap to the mill industry ?

A. What I feel is this. It is not a question of a particular ratio. If the ratio is such that it corresponds to the world prices then once it is fixed and there are no fluctuations, it will not cause any harm either one way or the other.

Q. You think that if the prices are stabilised at 1*s.* 6*d.* it will do no more harm than 1*s.* 4*d.*

A. Yes, provided the prices stabilised at 1*s.* 6*d.* are in consonance with the world prices.

Q. When you were talking about freights, were you not thinking of manufacturing centres other than Bombay—when you said there was a difference in freights ?

A. Yes; I had that idea also.

Q. In Bombay there is no difference between the freights for imported goods and those for the locally manufactured ones. The only difference that is perceivable in some cases is that from some other manufacturing centres the freights to the principal markets are somewhat higher than the freights from Bombay or from other ports.

A. Yes.

Q. There may be other reasons for that difference ?

A. Exactly. That was also my point.

Q. It need not necessarily be due to the competition of the imported goods. It may not be merely because it was intended to favour the transport of imported goods. There may be other reasons for it. The rates from ports may be cheaper on account of the coastal shipping. Was that what you were thinking of or were you really thinking of the difference between the rates of imported goods and the locally manufactured goods ?

A. That has also been in my mind. I had that impression also in my mind as I have stated.

Q. At the end you propose that a bounty should be given in preference to a duty. Have you thought out the way in which the bounty should be given ?

A. To this mill industry ?

Q. Yes.

A. No. I have not. I have in a general way stated it because import duties always cause hardship on the consumer, while a bounty does not cause that hardship.

Q. A bounty comes out of the general revenues ?

A. Yes.

Q. And it imposes so much burden on the general taxpayer ?

A. Yes. Then it will depend upon your system of taxation, how taxes are levied generally. Whenever the import duties are levied they come mostly from the lower classes. They are in a way regressive taxes.

Q. The difference is that the import duties are not perceivable.

A. Well, bounties if they come from general revenues may affect that class which could afford to pay, while the import duties affect those classes who will not be in a position to bear the burden.

Q. You could frame the import duties on the same lines.

A. It is very difficult.

Mr. Subba Rao.—I think, Mr. Deole, you are a Member of the Servants of India Society ?

A. Yes.

Q. And as such I assume you have given some attention to problems of economic development. Have you been working on these questions for some time ?

A. Yes. I took my first lessons from the late Mr. Gokhale.

Q. How long have you worked as a publicist?

A. From 1908—for about eighteen years.

Q. I want to ask a few questions not for the purpose of expressing agreement or disagreement with your views, but there is one point in connection with exchange which I would like you to develop for the purpose of record. You say that 1*s*. 6*d*. exchange does not mean any special disadvantage to the Indian producer who has got to face foreign competition. Will you please explain that fully ?

A. I have stated two things; in considering the question of exchange, you must consider prices and when prices are stabilised in consonance with the world prices, then it does not matter whether you stabilise at 1*s*. 4*d*. or 1*s*. 6*d*. provided the hardship in the transitory period is negligible. It is only in the transitory period that one is a gainer or one is a loser, because what happens is that there is a fluctuation in the exchange, prices lag behind and during the intervening period generally the capitalistic class makes a profit. It is this way that 1*s*. 4*d*. is advantageous to the mill owners and they lay great stress on the transitory period. In the transitory period really they make a large profit, but that money does not come from outside; it comes from the pockets of other classes.

Q. Which classes ?

A. From the classes whose wages or whose incomes do not get the benefit.

Q. So you suggest a reversal to 1*s*. 4*d*. would lead to an inflation of prices which would be ahead of any rise in wages, thereby giving a sort of bounty to the producer here which will disappear as soon as wages overtake the rise in prices ?

A. Yes.

Q. And do you hold now that the present rate is a fair index of the level of prices in India in relation of world prices ? Is that your opinion ?

A. Yes. That is my opinion.

Q. You think Indian prices are related to the world prices in the ratio, praticularly speaking, of 1*s*. 6*d*. to the rupee ?

A. Yes. That has been my view. Only I have doubts about one point. I have been studying the report of the Royal Commission. The question regarding management by Government of currency was referred to by those who were in favour of 1*s*. 4*d*. and

Government also have acknowledged that on two occasions they have manipulated the prices. Well, how far in those times they have manipulated, I have not been able to find out, because it is a question of statistics and those statistics have not been made available to us. I do not know if that is available in the evidence, which volumes are not yet available in India. So that is my general view that the prices have reached a stage when they correspond to the world prices. But if there has been large manipulation there, then perhaps one will have to consider the situation.

Q. If the fall in Indian prices or the change has been brought about by any manipulation, then your views will have to be modified ?

A. Yes.

Q. Now suppose it was so manipulated, would you feel a reversion now to 1*s*. 4*d*. would be desirable ?

A. My guiding principle will be the correspondence of the Indian prices with the world prices.

Q. If the correspondence is there,—never mind how it is brought about—would you say there is no drawback to the rate ?

A. If there is a correspondence and if I find that the manipulation is not so large.....

Q. We need not go into the manipulation. Suppose the rate now is a fair index of the relation between the Indian and the world prices, would you now go back to 1*s*. 4*d*. ?

A. No ; certainly not.

Q. If the present rate is a fair index of the Indian prices in relation to world prices you would stick to the present rate and you feel it does not operate as a disadvantage to the Indian producer ?

A. Yes ; that is my view. When I state that I would take manipulation into account, I mean that if there is very great manipulation and there is a danger of prices reverting to 1*s*. 4*d*. then I shall have to consider.

Q. You mean the change in prices might not be sustained ?

A. No, it might not be.

Q. But if they can be sustained, there is no reason to revert and you would not feel the present rate a handicap to Indian industries in any way ?

A. No.

Q. You have spoken about protection. Before getting on to import duties and bounties, I want to ask you about your attitude or your opinion with regard to the relation of the State to industries. What is your general position ? Especially in India are you prepared to allow the State to help the industry to any considerable extent or are you not so prepared ?

A. I am prepared.

Q. And is that position peculiar to India or do you think Governments elsewhere have been intervening on behalf of the industries ?

A. Yes. I have stated that. Governments have been helping almost everywhere.

Q. So that, there would not be anything novel in this country ?

A. No ; not at all.

Q. So your objection is to import duties ? They have certain drawbacks ?

A. Yes.

Q. And do you differentiate between import duty and bounty ?

A. Import duties affect the consumer more than a bounty.

Q. You use the word 'regressive.'

A. Yes. Import duties are regressive in their effect, while a bounty is not regressive.

Q. I would like you to go into it in detail, and explain your meaning.

A. Import duties when they are put on affect the lower classes more than the upper classes. The number of the poor people will be more and something comes from the pocket of every individual and they are affected more than the upper classes. While in the case of a bounty, the money comes from the general revenues and if the system of taxation is such that such money is raised from shoulders which are broad enough to bear, then in that case the bounties are sure not to affect the poorer classes very heavily and the burden will be borne by the richer classes.

Q. Assuming the system of taxation is rather progressive, then the richer classes pay a larger proportion than the poorer people ?

A. Yes.

Q. But you say something else. "It makes a better impression not only on the general public but on producers." What do you mean by that ?

A. Even the producers feel that they are directly helped. The producers feel that they get so much lump sum as a help to their industries and therefore they feel that they are helped directly by the country.

Q. How is that feeling important ? Why do you attach value to that ?

A. It is important because when it is given in small driblets, as small increases in prices, they do not feel they are bound or obliged to anybody. While in this case when a lump sum is given, they feel they are under an obligation and they must be able to manage their industry efficiently and economically and in such a way that they should be free from that obligation as early as possible.

Q. There is more incentive to the producers to get rid of this obligation to the State in this case than if they have an import duty which might be merged or concealed in any movement of prices. That is your point ?

A. Quite so.

Mr. Majmudar.—It has been represented to us that due to the exchange being fixed at 1*s*. 6*d*. instead of at 1*s*. 4*d*., the agriculturist loses ; that he gets money for his produce in rupees, he makes payment in rupees and makes his purchases in rupees and as a consequence the surplus that remains with him after paying Government assessment, rent, etc., is less when the exchange is at 1*s*. 6*d*. than when it is at 1*s*. 4*d*.

A. When talking of exchange, we must talk of higher or lower prices. If exchange is 1*s*. 4*d*., prices will be higher in India than at 1*s*. 6*d*. Then when we talk in the language of exchange, we feel that the producer will get Rs. 15 for a £ worth of goods in England. But at the same time if we look to the effect in India he will have to spend more ; the prices rise. It is only in the transitory period that there may be some advantage.

Q. So far as the agriculturist is concerned, he will get Rs. 13 instead of Rs. 15 and thereby he loses to that extent.

A. But he will have the cost of production also increased. He will have to pay more for his manure, more for his cloth, more for a part of his food, and so on. In that way he will incur more expenditure. His cost will increase and though he may feel that in the transitory period, he is benefited, I do not think in the long run he is benefited.

Q. The Government assessment remains the same.

A. It is a long period contract. It is fixed for 30 years and prices are sure to vary during the period in such a way as to affect neither adversely or favourably.

Q. So far as this item is concerned, at 1*s*. 6*d*. he is a sufferer ?

A. Yes.

Q. Then you say that if exchange is once fixed prices will stabilise and you also say that your opinion will depend on whether Government has manipulated the exchange or not.

A. Yes.

Q. Do I understand you to mean that Government should not try to maintain the rate at 1*s*. 6*d*., but allow the rate to fluctuate ?

A. No. I do not want that Government should allow the rate to fluctuate, but should allow the rate to stabilise itself in its natural way.

Q. You mean Government should not interfere either to support the 1*s*. 6*d*. exchange or the 1*s*. 4*d*. exchange ?

A. No, I do not mean that also. Because Government have to interfere in every country almost. But they should not interfere in such a way as to stabilise it at an artificial point.

Q. How would it be possible to know as to whether it is artificial or not ?

A. By reference to the world prices.

Q. World prices also fluctuate ; and prices in India fluctuate according to the exchange.

A. Yes. Small fluctuations we need not take into account. It is only large fluctuations.

Q. In any case you do not want Government to support the rate to a great extent. Is that what you mean ?

A. I do not want Government to support any rate ; but Government should not support any rate which is likely to be maintained at a considerable cost.

Mr. Subba Rao.—Like the 2*s*. 8*d*. rate ?

A. Yes.

Mr. Majmudar.—Then with reference to cloth, the poorer classes spend a small amount on the cloth, the middle classes a little more and the richer classes still more. Therefore if an import duty is put on, it will fall on the people according to their capacity of spending money on cloth. That is, the rich will bear it the most, the middle classes less and the poorer classes the least.

A. Quite so.

Q. So it will be distributed on the consumers according to their capacity for consumption.

A. Yes. But here you should not look to the amount, but to the proportion of the expenditure on cloth to the whole income. If you look to the proportion, even though he spends a small amount on cloth, still the proportion of that amount to his total income for the poor man is greater than the proportion in the case of the rich man. So the poor man will be affected more than the rich man.

Q. You suggest levying a special income tax for the purpose of giving the subsidy that you are proposing ?

A. Not income tax. Special income tax—at what rate do you mean ?

Q. You are suggesting that it should be in proportion to the income. If it is to be on that basis it will have to be something like an income tax.

A. I do not say that bounties should be levied in that proportion. There has been a system of progressive taxation adopted in all countries and that system means levying more duties from the richer classes than from the poorer and therefore I say that if that system is adopted in this country and if a bounty is given from the general revenues, surely it will affect the poorer people less than the richer people.

Q. You will give a subsidy from the general revenues ?

A. Yes.

President.—You merely say that a bounty is preferable to import duties. I do not understand you to say that you necessarily support it. You say that a bounty is better than a duty. That does not necessarily mean that you consider that a bounty should be given.

A. Yes. When I say it is preferable I mean that.

Q. It does not necessarily follow that you consider a bounty should be given.

A. Certainly, if at all protection is to be given.

Q. If at all ?

A. I have said that because, in the previous paragraph, I have said that if they claim any protection on the ground of exchange only I find that the exchange rate has stabilised in such a way that there is no advantage to the Japanese exporter nor disadvantage to the Indian exporter.

Q. I think you obviously have studied the Report of the Currency Commission, in which they say "The Chairman of the Bombay Millowners' Association told us that the present index figure of wages of mill-hands is 231 (as compared with 100 in 1914), and that attempts to reduce wages have been frustrated by strikes. This, too, in spite of the fact that the Bombay index numbers of wholesale prices, retail food prices and cost of living are only 150, 150 and 153 respectively. These figures indicate that either the pre-war rate of wages was too low or the present rate is excessive." Has your Institute studied that question ? Has it got any views or have you pesonally any views on the point ?

A. Our Institute has not studied it. But I think I can say something about it personally. I feel that wages in 1914 were too low and even though the proportion of wages has risen higher than the proportion of the index number, I do not think they are likely to press heavily on the industry.

Q. You realise that the labour costs are a fairly large item in the cost of production ?

A. Yes.

Q. You still consider that there has not been a large increase in wages ?

A. For that we have to examine the budgets of these mill-hands and we shall have to find whether the wages are sufficient to maintain them in good health and in good condition.

Q. Then it is your view that the wages in 1914 were too low rather than the present wages are excessive ?

A. Yes.

ANNEXURE A

During my oral evidence before the Board, on 11th September, you asked me to submit a note showing how facilities given by the railways to the imported goods were denied to home-made goods. What I said in my written statement was that the home-made goods should get greater railway facilities than the imported goods, which was not the case in India. But you asked me whether the imported goods were shown greater facilities than the home-made goods to which I replied in the affirmative. But as the Bombay Millowners were silent on that point, you suggested that my statement could not be correct and therefore wanted me to submit more information on the point.

Although the statement in our written memorandum, which was made in respect of all goods and not in respect of piece-goods only, remains true, in spite of my reply, whether in the affirmative or negative, to your question, I beg to submit the following in support of my affirmative reply :—

" While the railway administrations are not allowed to transfer a commodity from a higher class to a lower class without the sanction of the Railway Board, they have the option of quoting any rate within the maximum and minimum of the class. Instead of quoting the first class rates for a second class articles, they can quote rates ' equivalent to first class rates ' for such an article."

As the files of railways dealing with concession rates are confidential, I am unable to give present facts and figures in support of my statement, although I still feel inclined to adhere to it. The Board, may, perhaps, be able to ascertain definite information on the point. The following quotation from Rai Saheb Chandrika Prasad Tiwari's (he is a retired Assistant Traffic Superintendent, B. B. & C. I. Railway) book on " Indian Railways, " including a recommendation of the Indian Industrial Commission, goes to support my view.

" The policy of railway administrations has been generally to encourage export and import traffic to and from foreign countries reached by sea both by giving low rates and providing suitable types of wagons."

We must admit that there is a justification for it as the export and import traffic generally gives long leads and full loads. But the policy of quoting low rates for that traffic and imposing prohibitive restrictions against articles of local manufacture such as matches, glass, iron, etc., which were at one time, or are even now, denied the same rates and facilities as are allowed for imported articles, place this country at a very serious disadvantage. In the general interests of the country this policy needs a radical change, and we strongly support the following recommendation of the Indian Industrial Commission :—

" 275. We have suggested an examination of the desirability of raising the existing low rates on raw materials for export. We think it equally necessary to do the same in the case of manufactured articles or materials imported..... We would, however point to the necessity of one exception to this principle in the case of imports. Machinery and stores destined for industrial use in India should be transported at the lowest rate possible." (*Vide* pages 449-450).

Witness No. 52.

THE BOMBAY TEXTILE LABOUR UNION

Written Statement dated the 31st August 1926

On behalf of the Bombay Textile Labour Union, I have the honour to submit to the Indian Tariff Board the following representation and the Union's replies to the Board's Questionnaire containing the views of my Union on the points raised (*i*) by the terms of reference prescribed by the Government of India for the purpose of the enquiry into the condition of the cotton textile industry in India with special reference to the industry in Bombay and Ahmedabad, (*ii*) in the statement submitted by the Bombay Millowners' Association and (*iii*) in the questionnaire issued by the Board. This representation is intended to supplement the various points briefly touched upon in the Union's replies, to add a few more which could not be included therein and to offer a few remarks of a general character on the whole position of the industry with special reference to the labour side of it. My Union desires to express its sincere thanks for the opportunity given to it to place its views before the Board inasmuch as the interests of the textile workers are closely bound up with the interests of the industry as a whole and none will be more glad than the workers to see that the industry is extricated from its present position and set upon a course of continued prosperity.

2. It is a matter of satisfaction to the textile workers in Bombay that the Government of India have appointed a special Tariff Board to investigate the present condition of the cotton textile industry in India and to find that the terms of reference for the investigation are sufficiently wide. In the opinion of my Union, the Government of India were perfectly right in rejecting the proposal put forward by the Bombay Millowners' Association, to appoint an *ad hoc* Committee to enquire solely into the question of the Japanese competition with a view to impose an extra import duty on Japanese yarn and piece-goods, should the fact of the competition being unfair be proved. By widening the scope of the enquiry, the Government of India have made it possible for the Tariff Board to investigate the question in a more comprehensive manner, find out the real causes of the present condition of the cotton mill industry and, in the light of the conclusions that may be arrived at, recommend measures to put the industry on a sound footing. The Bombay textile workers have been insisting on a comprehensive enquiry of this nature from the day it was given out by the Bombay millowners that the mill industry was incurring heavy losses, and more particularly, from July of last year when the millowners announced their intention to reduce the workers' wages by 11½ per cent. At that time, the millowners pleaded their inability to pay the worker's wages on the old scale mainly on account of the continuance of the cotton excise duty from which, they said, they were suffering in competition with Japan in Indian market. The millowners' determination to effect a wage cut resulted in a general strike which lasted over two and half months and ended in great victory for the workers. In the course of the negotiations between the Bombay Millowners' Association and the workers' representatives and in the latter's representations to His Excellency the Governor of Bombay, the workers' representatives had indicated some of the causes which, in their opinion, were responsible for the inability of the mill industry to tide over the present depression. An open investigation of the condition of the industry had been strongly urged by them as well as the general public; but the Millowners' Association set its face against the proposal on the plea that the condition of the industry was their and their concern alone. Even in the Legislative Assembly, during the several discussions on the abolition of the cotton excise duty, the Government of India had made it clear that they were prepared to investigate the whole position of the textile industry if the demand for the abolition or suspension of the excise duty was sought to be made on the score of the bad condition of the industry. But at that time the millowners vehemently opposed the enquiry and insisted on the abolition of the excise duty alone. They loudly professed that they did not ask for protection for their industry—a statement which was not correct, and that, therefore, they did not want an enquiry. The workers never believed that the abolition of the excise duty alone would enable the mill industry to stand on its own legs; but they supported its abolition as they thought that it was an unjust impost having its origin in inspiration from outside. Experience has only proved the correctness of the workers' view. The abolition of the excise duty has not made any appreciable change for the better in the condition of the industry. My Union is, therefore, all the more glad to find that the Bombay millowners have, though late, at last come to realise the wisdom of the workers' plea for an impartial and comprehensive investigation of the

industry by the Tariff Board and agreed, perhaps reluctantly, to allow the search-light of the enquiry to be directed inwards. The Union's only regret is that they unnecessarily lost one precious year by taking various untenable positions before facing the issue boldly and courageously—positions which they had subsequently to give up one after another—with the result that the condition of the mill industry has become worse than it was a year ago.

3. At the outset, my Union desires to make it perfectly clear to the Board that the textile workers in Bombay are anxious to see the cotton mill industry restored to prosperity; and, therefore, they are willing to support suitable measures calculated to remove the industry from its present deplorable position and place it on a sound and efficient footing. If, after thorough investigation, it is found that the industry really stands in need of some temporary help to enable it to compete successfully with the other cotton manufacturing countries in the world, my Union will be only too glad to support the grant of such help consistently with the general interests of the country. The textile workers are as much interested in the sound condition of the industry as the millowners. Over 150,000 operatives are engaged in the mills in Bombay and if they are deprived of this source of living in case the industry goes down still further, their condition and the condition of those depending upon them will be very pitiable indeed. To the millowners and the traders, bad times like the present may mean less profit and a little curtailment of some of their luxuries; but to the workers, they mean starvation and ruin. There is already a good deal of industrial unemployment in the City and my Union is anxious to see that the present list of the unemployment is not only not increased in future but that it is considerably decreased and eventually caused to disappear altogether. The Union recognises that this can happen only if and when the industry is rescued from the present position. It goes without saying, therefore, that the workers cannot but desire the continued prosperity of the industry. Believing as the Union does that a searching enquiry of a comprehensive nature like this is sure to result in the discovery of the real causes of the present unsatisfactory state of affairs, and thus prepare the way for the re-organisation of the industry on a sound basis, it is my Union's desire to place before the Board such material as it has to enable them to arrive at the right conclusions.

LABOUR CONDITIONS

4. It will be clear to the Board from the remarks made in the preceding paragraphs that my Union agrees with the Bombay Millowners' Association that the present condition of the textile industry in this city is far from satisfactory and that the early adoption of some radical remedies is necessary if the industry is to be saved. The Union also agrees with the Association as to the extent and importance of the industry as being a great indigenous industry and a source of employment to a large labour population in the Presidency and of a large income to Government. But it regrets it cannot persuade itself to accept the measures suggested by the Association for the improvement of the industry. In the opinion of my Union, labour is one of the most essential factors for the successful working of any industry. In Bombay, this factor is so miserably weak that even under ideal conditions in respect of other elements that constitute the industry, it will not be able to hold its own under the present circumstances. My Union does not think that the Bombay millowners can profess with any degree of accuracy that their labour is contented, that its conditions of life and service leave nothing to be desired and that they have made any efforts to increase its efficiency. In fact they have themselves complained several times in the past of many drawbacks from which the industry suffers on account of the shortcomings of labour. But, so far as my Union is aware, they have not done anything to remove these shortcomings. It is the firm belief of my Union that unless the labour conditions in Bombay are radically improved, the mill industry will not be able to compete with the other cotton manufacturing countries. My Union, therefore, feels that the first and foremost requirement for putting the industry on a sound footing with a view to restore it to prosperity, is to radically improve the present labour conditions and remove the hardships from which the textile labour has been suffering all these years. If that is done, my Union feels confident that the textile industry will be in a much better position than it is to-day to compete with countries like Japan and improve its future prospects.

5. With these preliminary observations as regards labour conditions, I shall now endeavour to narrate in some detail what the conditions of labour are and the hardships from which the operatives have been suffering. The narration is by no means exhaustive or complete; but, in the opinion of the Union, it will enable the Board to judge for itself to what extent those conditions and hardships have contributed to the present bad position of the mill industry and how far the millowners are themselves responsible for their continuance.

6. *Recruitment.*—Perhaps the Board may be aware that the textile labour in Bombay is recruited through the head-jobbers and jobbers. This system of indirect recruitment has led to many serious abuses and contributed considerably to the growing discontent among the operatives. In the early years of the mill industry, when sufficient labour force was not available, there might have been some justification to recruit labour through jobbers and head-jobbers. They used to induce people from their villages to come to Bombay and seek employment in the mills; and they generally engaged them under themselves. It might have been perhaps necessary in those days to invest the jobbers and the head-jobbers with some powers in order that they might be able to retain their recruited labour force for sufficiently long time in Bombay. But those times of scarcity of labour are gone long ago and there is plenty of labour available in Bombay which can be recruited directly by the mill authorities. Moreover, owing to free and adequate supply of labour, the head-jobbers do not nowadays find it necessary to recruit people from their own villages; nor do they find it easy to recruit only those who are known to them. But the old system of indirect recruitment has still been maintained to the great detriment of the interests of the operatives. The wide powers of dismissals, fines, leave-giving, etc., though technically in the hands of the higher authorities, such as the managers, weaving and spinning masters, are in practice exercised by the head-jobbers and jobbers and are, in many cases, abused by them. It is notorious that several jobbers, head-jobbers and the women overseers called the "*naikins*" in the Winding and Reeling departments receive bribes or *dasturi* from the operatives at the time of employment and even during the continuance of their service. The rate of the *dasturi* varies from Re. 1 to Rs. 5 per month. The Union brought to the notice of the Manager and Agent of one of the Bombay mills the practice of receiving bribes and proved its long existence there. Instead of taking prompt steps to stop the practice, the Agent had the audacity to tell the Union that such practice of taking bribes prevailed in all the mills and that, if he were to take notice of it and adopt measures to stop it, he would soon require to close down his mill. This practice of taking bribes naturally leads to many dismissals in the case of those who refuse to give them, which again are responsible for what is known as the "*Badli*" system against which the millowners complain so bitterly. Moreover, the head-jobbers and jobbers are appointed on piecework system and get their wages in proportion to the production turned out by their respective departments. If, on account of some circumstances such as bad machinery or continuous breakage of thread, an operative does not succeed in securing the normal production, not only does he suffer himself in wages but he gets some punishment in the form of fine, assault or even dismissal from the head-jobbers and jobbers whose wages also suffer to some extent. For all these reasons, it is the considered opinion of my Union that the mill agents should recruit their labour directly, and not through the head-jobbers and jobbers as hitherto, that the latter should no longer be invested with such powers as those of dismissals or fines, and that they should be appointed on fixed salaries, irrespective of production in their departments, just as their immediate superiors, *viz.*, the weaving and spinning masters and their assistants, are appointed.

7. *Dismissals.*—Summaery dismissals are a normal feature in the Bombay mills. As the power of dismissal is exercised from the managers down to petty officials, such as jobbers, the workers are in constant dread of being discharged by any of their officials. Since the day of its foundation, my Union has been dealing with individual complaints of its members and trying to get them remedied. A statement of complaints under different heads with their results is attached to this statement as Appendix A which will convince the Board how unjustly, in certain cases even cruelly, punishments are inflicted upon the operatives. My Union desires to add that its membership is at present confined to about half the mills in Bombay and that even from these mills all the complaints do not come to the Union. The number of the complaints, though it looks small as compared with the total number of workers in Bombay, is a fair index of the real state of affairs in the mill ndustry. The complaints about dismissals are given below in a tabulated form for easy reference:—

DISMISSALS

Total No. of Complainants	Successful	Unsuccessful	Dropped	Pending
54	18	9	7	20

In dealing with these complaints the Union has found out that notices of dismissals are hardly given before the operatives are discharged; nor are they given any reasons for dismissals when the discharge passes are handed to them. Cases have been recorded in the Union's office of the operatives returning home the previous day after doing their work and the admission being refused to them the next morning. On being asked as to why they were not admitted, they were only told that they were discharged. It is only during the course of the Union's correspondence with the managers that the causes of dismissals, if any, are disclosed. Broadly speaking, these causes can be classified as follows:—(1) Alleged absence without obtaining leave. In mills there is no system of sending formal applications for leave. The operatives generally ask the oral permission of their immediate officers for leave. Instances have been found that leave once given is subsequently denied and the man is given a discharge. (2) Alleged inefficiency of work. In such complaints, enquiry is hardly made as to whether inefficiency was due to defective machinery or bad raw material or the neglect of the worker. The head jobbers and jobbers are generally relied upon and the discharges are given. (3) Alleged misbehaviour. Here again, the petty officials' word is taken as true and the worker's side is hardly heard and, if heard at all, is more often than not considered as false. (4) Alleged irregular attendance. It is true that the attendance of some of the operatives in mills is not so regular as the millowners expect it to be. But there are some very serious causes, which will be referred to in a subsequent paragraph, which contribute to this irregularity. Moreover to deprive the worker of his bread by summary dismissal for some slight irregularity is, in the opinion of my Union, too drastic a punishment. The Union has on record a case in which the worker was dismissed for being late to go to his mill by only ten minutes! (5) Refusal in the first instance to give leave for illness and the consequent discharge for inevitable absence. (6) Spoiling of cloth. In such cases, no enquiry is generally made as to the real causes of the cloth being spoiled—whether it is defective machinery, bad raw material or the negligence of the workers. The petty officer's opinion is the last word on the subject. (7) Reduction in staff. In making this reduction, no previous notice is given. The workers are told summarily that their services are no longer required. (8) Quarrels between the workers and jobbers. In such cases, hardly any attempts are made to find out which party is in the wrong. It is generally the workers who suffer. My Union feels that the punishment of dismissals for such quarrels is too heavy. (9) No valid reasons.

8. In most of the successful cases, the Union found that the services of the workers were dispensed with either summarily or without any valid reasons. When such cases were brought to the notice of the managers, they had no other alternative but to reinstate the dismissed workers. In dismissing people even for minor faults, hardly any attention is given to the length of their services or their previous record of work. We have cases of dismissed people who had put in long service extending from ten to twenty-five or even more years.

9. *Refusal to re-employment.*—Closely allied to the cases mentioned above are the cases of refusal to re-employment. In a majority of the complaints of this nature, it was found that the workers could not go to their mills either owing to temporary illness or some domestic difficulties or had gone to their villages on account of prolonged illness or owing to the last general strike and were refused re-employment when they presented themselves at the mills after their return. Most of such workers had served the mills for several years. The usual plea put forth for refusing to re-employ these workmen is that their places had been filled up. But it is common knowledge that vacancies do occur almost every day in the mills and they can be filled up in re-engaging old men. The Union has got a typical case on its record of a man who had put in over 25 years' service in one of the mills who was refused re-employment on the ground of his coming a few days late after the mill resumed work after the last general strike. The Union took up this case and requested the manager to re-engage the man when the first vacancy occurred. The manager and the head jobber agreed. Several days passed; but the man was not re-employed although a few vacancies had occurred in the mill and they were duly reported to the manager both by the worker and the Union; but they were given to other men. The Union then took up the matter to the Agents of that mill; and the Board will be surprised at the reply that the Manager gave the Agent in the presence of the Union's representative. The Manager said: It is true that several vacancies had occurred subsequent to the application of the complainant for re-employment; but they were given to those who had put in more years of service (*i.e.*, more than 25 years) than the complainant. I wonder whether and how far the Agent could consider this statement as correct, and whether the Board could place any reliance on it. The fact of the matter is that the head jobber, under whom the man in question was working, is not in favour of his being re-employed as he had taken a prominent part

in conducting a relief centre during the last general strike and that he has been a prominent member of this Union since it was organised.

10. *The "Badli" System.*—The Bombay millowners have always complained of the *badli* system prevailing in the mills. The Union readily admits that a constant change of employees affects the smooth working of the industry, but it maintains that the *badli* system is mostly the creation of the mill officials and that it is entirely in their hands to discourage it. From the preceding paragraphs the Board will have noticed that frequent summary and arbitrary dismissals and refusal to re-employment are the main causes of the constant change of employees. If suitable remedies are adopted to stop these practices, the Union feels sure that the evils arising out of this system will be greatly minimised.

11. There are two typical cases in the Union's records which show how the *badli* system is encouraged by the mill officials. A weaver in one of the mills went on leave for some urgent private work with the permission of the head jobber, who subsequently denied that he had given the permission. He returned to Bombay in time but was refused employment by the head jobber and the weaving master. The manager, on being approached, promised to enquire into the matter. In the meanwhile, the head jobber and the weaving master informed the manager that the worker was not doing his work properly with the result that the manager refused to re-engage him. It may be stated here parenthetically that in this case the charge of inefficiency was levelled against the man *after* he returned from leave. In reply to the Union's letter in this case, the manager wrote as follows :—

> "A day or two prior to his asking for leave from the head jobber, he was definitely informed by the Assistant Weaving Master in the presence of the head jobber that on account of his lethargic habits and showing very poor results in work, in spite of having been warned and fined on several occasions, a better man would be placed on his looms and he should have to take the option of either accepting a discharge or *work as a substitute (badli) of weavers in their absence.*" (*Italics ours.*)

This quotation will show how the *badli* system is encouraged by the officials. My Union fails to understand how an inefficient weaver is acceptable to the mill to work as a *badli* and how he becomes unacceptable as a permanent worker. In the opinion of my Union the truth lies in the fact that the allegations about inefficiency in this case were not correct and that they were advanced by the manager to justify the refusal to re-employ the weaver by his subordinate officers. A similar case occurred in another mill. The workman was dismissed by a head jobber owing to some quarrel between the two; but after some time he was taken up in the same mill as a *badli*.

12. There is another method by which this system is encouraged and it is what is called the "putting off duty" method. We have three cases of this nature on our record. The three workers went a little late (by about five minutes or so) to their mills; they were not allowed to enter the mill premises. They went to the mill the next day, when two of them were given tickets on which was written that they were put off duty for a week and the third was orally told that he had been given similar punishment for five days. When these cases were brought to the notice of the manager, he tried to explain away the punishments by saying that in one case the so-called "leave" was given owing to "slackness of work." And in the case of the other two "the *muccadam* and jobber thought it fit to inflict upon them a deterrent punishment." Without going into the merits of the punishment, the Union may point out that such "putting off the duty" methods cause change of employees in the mills, against which the millowners so much clamour. In this way the *badli* system goes on merrily.

13. In addition to the reasons stated above, there are a few other causes which are responsible for the *badli* system. There is the illness in the family of the worker in addition to his own, other domestic troubles, family celebrations, social obligations, etc., which force him to remain absent from his mill for a few days and in his absence he has to engage a substitute. This is inevitable. But my Union believes that some of the bad effects arising out of this system can be minimised if some leave, in addition to the weekly holidays that the worker gets under the Factories Act, is granted to him annually and if a few permanent extra workers are engaged in the mills.

14. The Union desires to add a word more on the *badli* system before it proceeds to the next item. By complaining against this system the millowners try to make out that the *badliwallas* are the most inefficient people. It might have been so about twenty years ago; but it is not so now. As the Board is aware, there is a considerable amount of unemployment prevailing in the city and consequently there is a large number of textile workers who is idle. It is from them that the *badliwallas* are generally recruited.

They have some experience of the work which they are asked to do as *badliwallas* and, therefore, they are not inefficient as they are made out to be.

15. *Wages.*—In the statement submitted to the Board, the Bombay Millowners' Association have stated that " as compared with 1910 the wages of mill operatives in Bombay have increased by well over 100 per cent." (page 25). Hitherto the millowners were in the habit of comparing the present wages of the operatives with those obtaining in 1914. This time they have moved backwards by four years to show that the increase in wages is more than 100 per cent. My Union wonders why they did not move a little more backwards, say by ten or twenty years, in which case they could have possibly been able to show a much larger percentage in rise in wages than they have shown now. In the first place, my Union does not think that the figures given in the millowners' statement are correct. It is significant to note that in table No. 22 appended to the millowners' statement only the index figures of wages are given. It does not give the actual wages figures on which the index figures are based. We venture to request the Board to make thorough enquiries into the figures before they accept them. In the second place, even assuming for a moment that the percentage of increase in wages as given in the millowners' statement is correct, my Union does not think that the percentage is one of which the millowners should be proud or boastful. By comparing the present wages with those obtaining either in 1910 or 1914, or, for that matter, in any pre-war year, an idea is sought to be conveyed to the public that the wages obtaining in 1910 or 1914 were adequate or living wages. But that was not the case, The wages obtaining in pre-war days were not only wholly inadequate but they were not even subsistence wages. They never compared favourably with the cost of living in those days. It is difficult for the Union to place any data before the Board in support of this statement; but it thinks they will get the necessary information from the Labour Office, Bombay, and other official sources. We request the Board to make enquiries before they accept the 1914 figures. It is very unfair to compare the present wages with the pre-war wages and jump to the conclusion that they are increased by over 100 per cent. Moreover, my Union is not prepared to accept the figures of pre-war wages as given in the " Report on an Enquiry into the Wages and Hours of labour in the Cotton Mill Industry " published by the Labour Office, Bombay, in 1921. The perusal of the second (1923) report of the Labour Office, Bombay, on the same subject only confirms this view. Paragraph 13 (page 5) of this report explains the methods—two different methods—adopted by the Labour Office in their investigations of the question of wages for their Reports of 1921 and 1923 and points out the defective nature of the 1921 method. Paragraph 26 (page 9) of the second Report explains this point still further, which deserves notice and is reproduced here for easy reference :—

> " The methods used on this occasion (1923) and in 1921 for arriving at average monthly earnings have been described in paragraph 13 above. The average monthly earnings for May 1914 are those obtained in the 1921 Enquiry, when part I of the Report contained dual sets of columns for 1914 and 1921. Consequently, the 1914 averages should, theoretically, have been obtained on the same basis as those of 1921.
>
> *But is is probable that the figures filled in the columns for 1914 in the 1921 Enquiry Form were often obtained from the Cash Books of the mills, which would not necessarily give the same results as the muster rolls, from which the 1921 figures in the corresponding columns were ordinarily obtained.*" (*Italics ours.*)

The Report then proceeds in paragraph 27 (page 10) to give a clear warning about the figures for 1914 as given in the 1921 Enquiry in these unambiguous terms :—

> " *The 1914 figures must therefore be accepted with considerable caution and treated only as approximations.*" (*Italics ours.*)

As if this is not enough, the Labour Office in their 1923 Report has thrown some further light on the hollowness of the 1914 figures when it deals in paragraphs 58 to 60 (pages 24 and 25) with the difficulties experienced by the office in arriving at the Real Wage Index Numbers and concluded that part thus :—

> "*But, with the data before us, it will never be possible for us to use either 1914 or 1921 as a base for Real Wage Index Numbers, although this does not imply that for* other *purposes the 1921 enquiry was not of value.*" (*Italics ours.*)

Add to this the foot-note to paragraph 60 of the Report and the Board will find that the second Enquiry Report of 1923 by the Labour Office has practically condemned the 1921 Report and the 1914 figures given in it. If read carefully and also between the lines, paragraphs 13, 26 and 60 with its foot-note, the above opinion is only doubly confirmed. It is, therefore, clear that the 1923 report completely knocks the bottom out of the millowners' argument when they talk of over 100 per cent. in the textile workers' wages

since 1910 or 1914, the wage figures of which year are thus exploded by the authority on which they have put so much reliance.

16. In paragraph 88 of their report, the Bombay Millowners' Association have stated that "with the fall in the cost of living since the end of 1920, despite the fact that the industry has gradually fallen from prosperity, no reduction in wages has been made." This is not correct. As soon as the fabulous profits made by the mills during the boom began to decrease, the Millowners' Association declared the discontinuance of the yearly bonus that the workers were getting for five years. The bonus used to be an addition to their wages by 8⅓ per cent. By depriving the workers of it, the millowners did reduce the wages by 8⅓ per cent. As regards the cost of living, it is a matter of close investigation for the Board to find out whether it has really gone down. The Union has no data before it on which it can base its own conclusions. The Millowners' Association seem to have relied upon the Bombay Cost of Living Index Number prepared by the Bombay Labour Office. If this is so, my Union is afraid they have relied upon a source of doubtful accuracy. Here is what the Director of the Labour Office says in his 1923 Report, sub-para. 2 of paragraph 58 (page 25):—

> "*I am not wholly satisfied that the Bombay Cost of Living Index Number is in itself satisfactory*, and the Labour Office is now engaged in a task which has been under contemplation for some time, namely, *the entire re-construction of the index number on a wider and more locally applicable basis.*" (*Italics ours.*)

17. With regard to the Cost of Living Index, the Union desires to place before the Board one more point for its consideration. Since 1920, the house-rents for the working classes have gone high owing to the demolition of a very large number of old chawls. The Union is aware that there are the Development chawls which could be occupied by the working classes in place of the old demolished ones. But the rents of those chawls are high and, in some cases, even prohibitive; and the chawls are not, for many other reasons which will be dealt with in a subsequent paragraph, suitable for the workers to live. The result is that owing to a greater demand on the old chawls that are not demolished, their rents are greatly increased, of course within the limits of the Rent Act. My Union is doubtful whether in calculating the Cost of Living Index from 1920 the increased house rents are taken into account. It requests the Board to make enquiries into this matter. It will thus be clear to the Board that the arguments employed by the millowners about the 100 per cent. rise in wages and the fall in the cost of living do not hold water.

18. It will now be the endeavour of my Union to consider how far the present wages are adequate or sufficient to meet the standard of living of the operatives, poor though that standard is. The Union desires to draw the attention of the Board to paragraph 12 (page 5) of the 1923 Report of the Bombay Labour Office and the footnote added to it which explain the "average daily earnings" worked out by the Office. The latter points out that the "average" is only the "arithmetic mean" and that "it is not possible to deduce the mode or the median, nor any measures of dispersion, nor the range either for any group or for the whole material," as the separate earnings of each individual worker are not available. Paragraph 14 (pages 5 and 6) of the same Report then gives the average daily earnings of the textile workers in the Presidency and draws the special attention of the public to the "average" figures in the following manner:—

> "In a study of this kind the arithmetic mean is a *less satisfactory average* than the mode, *i.e.*, the earnings which are most prevalent in the group. In this place it can only be stated that *the average, in the usual sense of the arithmetic mean*, is, in a study of this kind, *necessarily higher than the 'mode'* or most frequently occurring value." (*Italics ours.*)

It is thus clear that some allowance, however small it may be, will have to be made in accepting the figure of Rs. 30-10-1 as the Bombay workers' monthly earnings, given in the 1923 Report (page 11) of the Labour Office.

19. The Union now begs to draw the attention of the Board to tables Nos. 1 to 3 (pages 27-41) of the same Report. It will be seen therefrom that the salaries of the assistant carding, spinning and weaving masters, the head jobbers of all the mill departments, store-keepers, factory clerks, etc., are included in them and are, therefore, calculated in arriving at the "average" monthly wages of the textile workers. The Board will also notice that the salaries of those men are much higher than those of the ordinary workers in the several mill departments by four to eight times and are bound to have some effect in swelling the "average" figure. My Union, therefore, feels that the Board will not be able to get an accurate idea of the average wages of the textile workers in this city if the salaries of the highly paid officers in the mills are included in the calculations. Let me assure the Board that the Union has no desire to find fault with the methods employed

by the Labour Office in working out the "average" figures. Far from it. Our only anxiety is that the Board should have accurate data before them in finding out whether the textile workers are properly paid or not.

20. There is one more important point which deserves mention. The persual of the tables referred to in the above paragraph will show the Board that the wages of the spinners are much less than those of the weavers. Indeed their wages are pitiably low! The Union has not been able to work out the average difference between the wages of the spinners and weavers; but it thinks that the former's wages are lower than those of the latter by at least one and one-half times. Such is the wide difference between the wages of the spinners and the weavers! In England and Japan, and perhaps in America and other countries also, the spinners are paid as much as the weavers. My Union, therefore, feels that the average wages worked out by the Labour Office by putting together the wages of the spinners and the weavers, cannot but put the spinners at a great disadvantage.

21. For the reasons given in paragraphs 16 to 20, my Union is unable to accept Rs. 30-10-1 as the average monthly earnings of the textile worker in Bombay. It is unable to work out its own average; but it believes that it must be something appreciably less than Rs 30-10-1. Moreover the Union is also convinced that the average monthly earnings of the spinners are much less than those of the weavers and must be taken into account separately.

22. *Deductions.*—But do the textile workers get their wages in full, however small they may be? This is the next question that the Union requests the Board to consider seriously. In the opinion of the Union, the workers do not get in full even these small wages. There are several deductions made in several directions before the wages reach their hands for the purposes of maintaining themselves and their families. The following are some of the methods by which the workers' wages are reduced:—

(*a*) *Fines.*—The fines inflict a very heavy burden on the poor resources of the operatives. The causes for fines are practically those which are given in a previous paragraph for dismissals, such as spoiling of cloth, alleged irregular attendance, negligent work, alleged misbehaviour, and absence without leave. No attempt is generally made to find out whether the faults alleged to have been committed by the workers are due to causes for which they alone are responsible. In most cases the Union has noticed that the fines are disproportionate and are not levied with any consideration for justice. It was, therefore, natural that the management themselves should subsequently reduce the fines to a great extent and that the Union's intervention was not found necessary in those cases which are marked "dropped or cancelled" in the statement of complaints appended to this statement. If a man absents himself from work owing to some illness or some other difficulties, he not only loses his wages for the day or days on which he remains absent, but he is also fined pretty heavily. The punishment does not stop here. The Union has a case on its record in which the worker was fined As. 3 for being absent for a day, and in addition to this fine his wages for a day and a half were deducted from his monthly earnings. In other words, his wages were affected in three ways: firstly, he lost the wages for the day of his absence; secondly, he lost As. 3 by way of fine; and thirdly, he lost one and one-half days' wages as an additional fine. The Board will realise how much the man must have suffered in wages owing to his one day's absence. The Union may point out that the system of cutting down two days' wages for one day's absence or three days' wages for two days' absence is not uncommon in Bombay mills. Some amount of ingenuity is also shown in inflicting fines as will be seen from the following illustration. Suppose a weaver is fined Rs. 2 and his total wages are Rs. 90 (his basic (1914) pay Rs. 50+ high prices allowance at the rate of 80 per cent.—Rs. 40.). Now as a result of fine of Rs. 2 he should get Rs. 88 instead of Rs. 90. But in some mills the fine is calculated not on the total wages of the workers but on his basic pay. And what is the result? Instead of getting Rs. 88 after Rs. 2 being deducted as fine, he gets only Rs. 86-6-5. The fine is first deducted from his basic pay of Rs. 50, which comes to Rs. 48; and then his high prices allowance is calculated on Rs. 48, and not on Rs. 50, with the result that the high prices allowance he gets is Rs. 38-6-5 and not Rs. 40. It will thus be seen that, although he is nominally fined Rs. 2, the actual deduction both from his basic pay and his high prices allowance comes to Rs. 3-9-7. Such are the ingenious ways of the mill management! As the Board are aware, there is no law in this country which controls and regulates the system of fines, and consequently the mill managers and their subordinate officials are their own masters in inflicting fines on the operatives to an extent which they like.

(*ii*) There is another method of inflicting fines to which the operatives are subjected most cruelly in Bombay. It is that pieces after pieces of cloth spoiled during the process o f work, not necessarily through their fault, are given to the workers and heavy deductions

made from their wages. The management hardly, if ever, takes care to find out whether the cloth is spoiled on account of defective machinery, bad raw material or the negligence of the workers. Moreover, there are several departments in the mills through which cotton passes before it is made into finished piece-goods. In the case of a spoiled piece of cloth, no attempts are made to find out in which department the mistake was made which ultimately resulted in the piece being spoiled; it is generally the weavers from whose hands the piece finally passes, who are penalised for the mistakes committed in other departments. The lack of supervision is indeed scandalous. The Union understands that in July last in one of the Bombay mills spoiled cloth worth over Rs. 2,000 was given to the workers and the amount of the price of the cloth deducted from their wages. This month also the same mill deducted an equal amount from the workers' wages and handed over the cloth to them. The Union was not able to get all these cases; but such of them as came to it are tabulated below:—

Kind of cloth spoiled	The extent to which the piece was spoiled	Amount deducted from wages	Average monthly wages of the worker
		Rs. a. p.	Rs. a. p.
1. Dhoti—one pair (ten yards).	At three places the thread had broken in the border ..	3 8 0	..
2. Dhoti—one pair (8 yards).	The sizing department failed to mark the piece where it is to be cut in parts and the weaver was fined	3 8 0	40 0 0
3. Muslin (39 yards) ..	The piece fell short in length by 1 yard owing to breakage of thread	8 4 0	40 0 0
4. Dhoti—5 pairs (each pair weighing 1 lb. 13 oz.)	The weight of the pieces was seen to be less than the average by 1 lb. 4 oz.	13 7 0	42 0 0
5. (*a*) Sushi (24 yards)..	A slight mistake was made by the *badliwala* and the weaver was given the whole piece ..	15 13 9	..
(*b*) Sushi (24 yards) ..	At two or three places the thread was broken		
6. Long-cloth (39 yards)	The machinery had become loose and therefore the thread could not be woven evenly ..	16 4 9	53 0 0
7. Long-cloth (sample) (22 yards).	The piece was torn inside the temple	17 12 0	55 0 0
8. (*a*) Nagpur cloth (24 yards).	The border was spoiled for about six inches towards the end owing to the breakage of thread ..		
(*b*) Dobby cloth (24 yards).	The Dobby was not working properly	19 5 0	35 0 0
(*c*) Dhoti—2 pieces (9 yards each).	The sizing department failed to mark the pieces where they are to be cut in parts and the weaver was fined		
9. (*a*) long-cloth (20 yards).	The loom was not in order. The piece was spoiled only to the extent of 6″ in the border towards the end	23 4 6	50 0 0
(*b*) 2 more pieces of long-cloth.	There was no mistake shown to the weaver; nor could he detect any		
10. Two pieces of cloth ..	In the borders the black thread was broken to the extent of 6″.	Both the pieces were given to him and the next day he was dismissed.	

I desire to make it clear to the Board that we are not conversant with the technical nature of the machinery with which the workers have to deal and, therefore, it is possible that there might have occurred some mistakes in column 2 of the above table in putting the

nature of the mistakes in proper language. But I can assure the Board that I have seen all these pieces of spoiled cloth and shown them to some people working in the mill who are conversant with the technicalities of the mill machinery. We were satisfied that the nature and the extent of the mistakes were not such as to inflict such horrible punishments on the workers. The Board will have noticed from columns 3 and 4 of the above table that the amounts deducted by way of fines range from one-third to more than one-half of the total wages of the operatives. With such heavy and unjust fines, how are they to maintain themselves and their families till the next month's wages reach their hands ? It may be said that they get the cloth in return. But what are they to do with it ? They never require so much cloth. Nor do they use such kind of cloth as is given to them. They generally wander about in the city and try if any shop-keeper purchases those pieces, who naturally offer a much less price than the one the workers have actually given to their squeezing masters. The Union also desires to bring to the notice of the Board two more points regarding fines like these. One is that in giving the spoiled cloth to the operatives the managers do not charge as fine the actual cost of production of the particular pieces of cloth but their selling prices obtaining in the market. The other point is that, so far as the Union's information goes, these deductions made from the workers' wages are not shown as fines in the muster rolls but are credited as sales as if the sales were voluntary and were made in the usual way.

(b) *Withholding or forfeiture of wages.*—This is another way of deducting the workers' wages. It frequently happens that the workers have to go to their native places owing either to their continued illness or the illness in their families or other domestic reasons and do not find it possible to return to Bombay for some time which in a few cases extends to three or even six months. When they go home they do not get the wages for the days worked by them. It is, therefore, natural that they should ask for their former wages after their return. But they are generally told that they have forfeited their wages on account of the companies' rule that wages demanded after a lapse of three or six months are forfeited. The period during which the wages must be asked for varies from mill to mill ; in some mills it is three months ; in others it is six months. The legal advisers of the Union have opined that such time limit for asking for the earned wages is illegal and they can be recovered in a court of law. The Union made use of this opinion in dealing with cases of withholding or forfeiture of wages ; and it was only then that it succeeded in 12 out of 24 complaints in obtaining the withheld earnings of the poor people. Besides this reason of time limit, the following are some other grounds on which wages are withheld : (1) Absence without permission. (2) Forfeiture owing to failure to resume duty after the expiry of leave. (3) Summary discharges and consequent withholding of wages for no valid reasons. (4) Inability of the workers to join duty owing to illness or other domestic difficulties. Owing to these causes, the workers suffer a great deal by not having their legitimate wages in time and this entails severe strain on their negligible resources. There are some mill managers who, after some correspondence, agree to the payment of withheld wages ; but the workers experience considerable difficulties in getting them. The mills have generally fixed one day in a month on which such payments are made. The workers who are employed elsewhere find it very difficult to go to their old mills on that particular day to get their wages. If they go there, they generally lose a day or at least half a day in the new mills in which they work. The authority given by the workers to the Union to receive the payment is not recognised by a majority of mills with the result that they have either to lose a day's or half a day's wage in the new mills or forfeit their old wages. It is almost impossible for the workers who are not in Bombay to get their withheld wages. The Union has got a few cases on record in which the mills, after considerable correspondence, agreed to pay the withheld wages on condition that the workers who had already secured jobs elsewhere agreed to resume work in their old mills. This is indeed preposterous in view of the fact that the same mills had first refused employment to the workers. To put such condition afterwards only goes to show the unwillingness of the mills to pay the legitimate dues of their employees. Thus the millowners have with them several thousands of rupees as withheld wages which some show in their balance sheets as " unclaimed wages. " In fact, these so-called ' unclaimed ' wages are claimed by those to whom they are due, but not paid by the management.

(c) *Reductions in Rates.*—Instances have been brought to the notice of the Union that the rates of the piece-workers and the wages of the fixed wage-earners are cut down without previous notice. Immediately after the termination of the general strike, a mill reduced the workers' wages by cutting down the rates on the plea that the rates obtaining there were the highest and that the mill could not afford to pay them any longer. The workers, through the Union, resisted the cut to the utmost but had to yield ultimately after securing only a minor concession. The Board may be aware that there are no standard rates for the textile workers in this City. They vary from mill to mill ; they vary even in the mills belonging to the same company. If on the score of wages

in a particular mill being higher than those in another mill the former were to cut down its wages, the result will be that each mill will select some other mill the wages in which are lower than its own as a standard mill and cut down its wages, with the result that the wages in Bombay will be brought down to the level obtaining in the worst mill in the City.

(*d*) *Dasturi.*—Reference has already been made in a previous paragraph to the prevalence of the practice of giving *dasturi* or bribes to the head jobbers, jobbers and the *naikins* in the mills. This is a toll on almost every worker, male and female, in the mills, which takes away not a little from his or her wages. In addition to the workers, the industry as a whole is considerably affected by this system of *dasturi*, because the head jobbers, jobbers or the *naikins* are tempted to dismiss old employees who may not be willing to pay the toll and engage new ones without any attention being paid to their being efficient or otherwise. Moreover, this system is responsible for always keeping a few vacancies in the mills, which are filled in only when the workers willing to pay the *dasturi* are secured. Thus it happens that there is always a shortage of men in the mills while there is unemployment outside!

(*e*) *Indebtedness.*—The Board may be aware that indebtedness of the industrial worker is a normal feature of his life in Bombay. Firstly, it takes a month and a half for him to receive his first month's wages after his employment in the mills; and he has naturally to borrow money to meet his expenses during that period. Secondly, the waiting period of a fortnight to get his subsequent payments adds to his indebtedness. Thirdly, in the *badli* system the worker has to pay his *badliwala* in cash when the former resumes work. For this he has generally to borrow money, particularly when he had engaged the *badliwala* owing to his illness or other domestic troubles which also add to his indebtedness. Fourthly, owing to the delay in getting his last month's wages, the worker has to purchase his necessaries of life on credit. The "*bania*" or the shopkeeper naturally charges a little more than he would do if the purchases were made on cash payment. The rate of interest that the worker has to pay for his borrowings ranges from one anna per rupee per month to two annas or even more, *i.e.*, 75 to 150 per cent. or even more. Little wonder then, that the interest on debts puts a heavy charge on his wages.

23. The Union thinks that it has been able to show with the aid of such data as was available to it that the deductions detailed in paragraph 22 reduce the workers' earnings very considerably. Prof. Burnett-Hurst in his "Labour and Housing in Bombay" has stated, on the authority of a factory inspector, that the fines formed 8 to 10 per cent. of the earnings—surely a high figure! (page 58). Add to this the other deductions enumerated in sub-paragraphs (*b*), (*c*), (*d*) and (*e*) of the last paragraph, and this percentage will go considerably high. The position in respect of wages thus comes to this. The average monthly earnings of a factory worker, according to the Labour Office Report of 1923, are Rs. 30-10-1. As pointed out in paragraph 21, it is necessary to make an appreciable allowance in this "average" figure for reasons given in paragraphs 16, 17, 18, 19 and 20. It is further necessary to make a still larger allowance in the "average" figure in respect of the deductions. After making these allowances, the Board will find that the average monthly earnings of the textile workers in Bombay will be considerably less than Rs. 30-10-1. Moreover, if these averages are calculated separately in the case of the spinners and weavers, it will be found that the former's average will be much smaller than that of the latter. It will thus be seen that there is very little left even for bare subsistence. And yet we are amazed to see the millowners patting themselves for the "100 per cent." increase in the workers' wages!

24. The Union has dealt with the question of wages in some detail, firstly, to convince, if it can, the Board of the meagre earnings of the workers and, secondly, to protest most strongly against the threat held out in paragraph 89 of the statement of the Bombay Millowners' Association. They say: "whether the wages will have to be reduced in the future depends largely upon the severity of foreign and more particularly Japanese competition." It is the firm conviction of my Union that the Bombay millowners have brought the cotton mill industry to the present state mainly on account of the condition in which they have allowed their labour to remain during the last seventy years and the starvation wages which they are giving them. If they still further reduce the workers' present poor standard of life by a cut in their wages, my Union shudders to think what will happen to the industry in the near future. We hope that better counsels will prevail and the millowners will not take the suicidal step to cut down the workers' wages and add to their miseries.

25. *Housing.*—The housing conditions of the industrial workers in Bombay are such that, in the words of Prof. Burnett-Hurst, "no matter how graphic a pen-picture is drawn, how vivid a description is given of existing conditions, it is impossible to convey to the reader any true conception of the actual state of affairs" (page 23). He has

characterised the workers' houses as "Pestilential plague-spots"—a description with which the Union entirely agrees. The Board may be aware that the Development Department of the Bombay Government had originally intended to build for the working classes 625 chawls with 50,000 one-room tenements; but they have so far built only 207 chawls with 16,544 tenements. Out of these only 2,804 tenements are at present occupied and the rest 13,740 are vacant. Most of the workers, therefore, live even now in the old chawls, the description of which is given by Prof. Burnett-Hurst in his book. A few passages are quoted below which will give the Board some idea of the most horrible condition in which the working classes are made to live in Bombay. In describing the sheds occupied by the workers, he says —

> "Entering the shed and passing down a dark narrow passage—so narrow that two persons could scarcely pass one another—one had to grope one's way to the doorways of the rooms. Upon peering into these, it was impossible to ascertain whether they were occupied or not. Not a ray of light penetrated them, and this at noon on a bright sunny day. It was only on striking a match that the rooms were found to be inhabited." (Pages 19-20).

In another place he describes the chawls as follows :—

> "—the houses have tall narrow frontages and excessive depths; many of the rooms, especially, those in the centre and on the ground floor, lack sunshine and air. What makes the condition of these buildings worse is that large numbers of them are fitted with basket privies. The contents of the basket receptacles in the privy frequently overflow into the open drains and foul the gullies. The stench which fills the air as the overflow travels along the drain can be better imagined than described. At times the cesspits also overflow or the drains become choked. The sweepers who are supposed to remove and convey the excreta twice daily to the night-soil depots frequently shirk their duties and empty the contents of the baskets into the open drains. Add to this the practice of throwing all kinds of house hold refuse and filth into the gullies by the people in the rooms overlooking them, and one can form some slight conception of the strength of the smell. Much of the refuse accumulates and becomes stagnant and the liquid filth percolates into the soil when the drains on the passage are in a bad state of repair, as is frequently the case. Is it surprising, then that the windows of rooms which overlook the gullies have to be kept closed to shut out the stench? The conditions under which the occupants of these rooms have to cook, eat and sleep can well be imagined when it is remembered that the only sources of light and ventilation are from the window opening on to the gully and from the door by which they enter the room. The conclusion drawn from personal inspection of a large number of these tenements is that ground-floor rooms are invariably dark, dismal and unhealthy, and often permeated with obnoxious effluvia. Where the privies are not detached from the main building, the stench penetrates the whole structure. Frequently, on rounds of inspection, premises have been entered but the filth and smell have been so repulsive as to compel a hurried exit." (Pages 21-22.)

In a third place Prof. Burnett-Hurst writes thus :—

> "Frequently the chawls are situated parallel to one another, and when they are in close proximity, as is generally the case, the rooms on the ground floor receive insufficient light and air..... Many chawls are in a dilapidated condition and the floors in such a bad state of repair that they are a source of danger to the occupants. Some chawls have little or no plinth, the ground floor being almost on a level with the street and in such cases, the rooms are often flooded during the monsoon and are generally damp.
>
> "The approaches to the chawls abound with dirt and filth. 'Kutchra'; or household refuse, and even excreta, are thrown from the windows of the upper floors on to the street and into the compounds. The refuse cast on the streets is generally cleared away, but that thrown into the compound accumulates, as it seems to be nobody's business to remove it. The compound and the approaches to the chawls are usually 'Katcha' (which here means unpaved), and in the monsoon they soon become quagmires with pools of water. Long after the cessation of rain the pools of water remain, become stagnant and form excellent breeding-grounds for the malaria-carrying mosquitto." (Pages 23-24.)

My Union dares not add anything more to these passages.

26. My Union is aware that a few millowners have built some chawls for their own employees. It must be admitted that, on the whole, many of them are better than the chawls described in the preceding paragraph, although some of these chawls also could be shown to be as bad as those built by private landlords. Besides, the millowners'

chawls are too inadequate to meet the requirements of all the workers. Moreover, the workers do not like to occupy the chawls built by their employers because they feel that by their so doing, they come more under the grip of their masters. In times of strike there is always a danger of the workers being ejected. They, therefore, prefer to stay in private chawls, howsoever bad they may be.

27. I have already referred to the chawls built by the Development Department of the Bombay Government. As the state of the old chawls is such as is described in a preceding paragraph, the workers should have welcomed the new chawls and occupied them as soon as they were ready for occupation. But that did not happen. More than 13,000 out of over 16,500 tenements built by the Development Department are vacant and the workers are not willing to occupy them for various reasons. In the first place, the rents charged for these one-room tenements are quite out of proportion to the workers' ability to pay them. The rents originally fixed for these chawls were too exorbitant; they had, therefore, to be thrice reduced. The last reduction came into operation only from 1st August 1926. Before that the average rents for ground, first, second and third floors at DeLisle Road (the most thickly populated labour part of the City), Naigam, Sewri and Worli were Rs. 10, 9, 8-8 and 7, respectively. Assuming for the moment Rs. 30-10-1 as the real " average " monthly wages of a workman, he is asked to pay as rent, at DeLisle Road, Naigam, Sewri, and Worli, 33, 30, 28·3, 23·3 per cent., respectively, of his earnings. This is indeed prohibitive. My Union understands that the High Government officials who are provided with Government quarters have to pay as rent only 10 per cent. of their pay which is generally in three or four digits. But in the case of poor workers whose wages do not exceed Rs. 30 per month, they are asked to pay for rent from 25 to 33 per cent. of their wages. Secondly, the development chawls are quite unsuited to the requirements of the operatives. They are built of cement and the greatest defect from which they suffer is that, in cold weather they become too cold and, in hot weather, they become too hot. The workers feel most uncomfortable in these chawls and are very reluctant to occupy them. It is no wonder, therefore, that most of them should remain unoccupied. The last reduction has brought down the rents by eight annas and, in a few cases, by one rupee. It is still to be seen what effect this reduction will have on the workers.

28. The scheme of the Development Department having thus failed to meet the requirements of the working classes, over-crowding in the old chawls is a consequent evil. It is a notorious fact that 97 per cent. of the working class population in Bombay lives in single room tenements. " Over 60 per cent. of the house-hold " says Prof. Burnett-Hurst, " were over-crowded according to the English official standard. Measured by the stricter test employed by Dr. Bowley in *Livelihood and Poverty* the percentage rises to 94 per cent. The average number of persons per room in Parel was 3·5. It should be noted that a single room is often occupied by several families. According to the census of 1921, there were in Bombay no less than 135 instances in which a single room was occupied by six families or more! " (page 28). The report of the Lady Doctor, appointed by the Government of Bombay to investigate the conditions of women industrial workers in Bombay in 1922, contains the following illuminating passage :—

> " In outside chawls I have several times verified the over-crowding of rooms. In one room, on the second floor of a chawl, measuring some 15ft. by 12ft., I found six families living. Six separate ovens on the floor proved this statement. On enquiry, I ascertained that actual number of adults and children living in this room was 30. Bamboos hung from the ceiling, over which, at night, clothes and sacking were hung, helped to partition each family allotment. Three out of six of the women who lived in this room were shortly expecting to be delivered. All three said they would have the deliveries in Bombay. When I questioned the District Nurse, who accompanied me, as to how she would arrange for privacy in this room, I was shown a small space some 3ft. × 4ft. which was usually screened off for the purpose. The atmosphere at night of that room filled with smoke from the six ovens, and other impurities would certainly physically handicap any woman and infant, both before and after delivery. This was one of many such rooms I saw."

29. The miserable housing, bad sanitary conditions and horrible overcrowding create a most disastrous effect upon the health of the workers. Some of the members of my Union recently visited several chawls and they came across hardly a working class family or room in which there was no illness. Absenteeism which is so much made of by the millowners is, in the opinion of my Union, to a very large extent due to illness of the workers or that of their family members. Constant illness of the worker reduces his vitality which again tells heavily upon his efficiency. The infant mortality in these chawls is so horrible that one is inclined to question its accuracy. In Bombay the average infant mortality during the five years 1918-1922 was 572 per 1,000 births, while in

1921 the rate reached the high figure of 667. The statistics show that the less the number of rooms in a tenement, the higher the rate of infant mortality. The following table shows the rate of infant mortality according to tenements :—

Rooms	Infant mortality per 1,000 births registered			
	1918	1919	1920	1921
1 Room and under	767	831	631	828
2 Rooms	499	565	304	322
3 Rooms	375	358	295	191
4 Rooms and more	239	189	289	133

" It will be seen," says Prof. Burnett-Hurst, " that the proportion of deaths to births varies inversely as the number of rooms occupied by the parents. One would be inclined to infer that overcrowding in one-room tenements is one of the chief causes of excessive mortality. " (pages 41-42).

30. The Union believes that it has been able to show in the last few paragraphs that (*i*) on account of arbitrary and summary dismissals, there is no security of employment ; (*ii*) on account of several deductions which are already referred to, there is no security of wages ; and (*iii*) owing to horrible housing conditions, there is no security of life ! How on earth, one may ask, are the workers expected to take more genuine interest in their work than they are doing to-day, in such depressing state of affairs ?

The Union now desires to draw the attention of the Board to a point, of which much is made by the mill-owners, *viz.*, the inefficiency of the workers.

31. *Efficiency or Inefficiency.*—My Union knows that in season and out of season the millowners complain of the inefficiency of their labour and contend that labour in this country, though nominally cheap, is dear in reality. And the mill agents may trot out this argument as a partial explanation of the high cost of production, on account of which they are unable successfully to compete with Japan in the home market. My Union would like to request the Board to find out the truth. The cheapness of Indian labour is a self-evident truth and is not denied even by the mill-agents. Only their contention is that the labour is so inefficient that it costs more to their mills on the whole than what costs the Lancashire mills to engage a highly paid but efficient labour. No doubt Indian labour is much less efficient than the Lancashire labour, but it is not a fact that Indian labour is not worth the wages it receives, as compared with Lancashire labour. This question had been incidentally considered by the Indian Factory Labour Commission of 1908 and from the calculations made by Mr. C. B. Simpson of Messrs. Binny & Co., of Madras, it was found out that 2·62 Indian employees were equal to 1 English worker, but it was pointed out by the late Dr. T. M. Nair, one of the members of the Commission, that if the wages of the English mill-operative were compared with those of the Indian mill-operative, it was clear that *for the same money the Indian millowner got nearly double the work than an English millowner did.* Mr. Simpson had taken it for granted, it should be noted, that the machinery used in the Indian mills as well as the methods of organisation of the Indian cotton factory were the same as were used in the Lancashire mills. If the machinery and methods of organisation were superior in the Lancashire mills, the comparison was bound to be misleading. Mr. Simpson himself had to concede in his oral evidence that it was necessary to allow for the difference in quality of the cotton, climatic conditions, etc., and he was not prepared to say that if 982 Lancashire operatives came to India, they would run a mill now worked by 2,622 Indian operatives. The mill operatives of Bombay had also exposed the hollowness of the complain that the Indian mill operatives were far less efficient as compared with the Lancashtire operatives. In their memorial submitted to His Excellency the Marquis of Lansdowne, Viceroy and Governor-General of India, in 1889 they had stated that the real cause of why a mill operative in England was able to do the work of three men employed in the same work in an Indian mill was the bad raw material and machinery used in the Indian mills. The breakage in the tread was so continuous in the Indian mills on account of the bad quality of the cotton that more men had to be employed. Outside experts who were competent to judge in matters of this sort, like Mr. James Platt and Mr. Henry Lee, expressed their opinion that "in no country on earth except in Lancashire do the operatives possess such a natural leaning to the textile industry as in India." Dr. G. Von Schultze-Gaevernitz writing in 1895 expressed that " the number of operatives

up to this time 5 or 6 times as many as the English is today in the best spinning mill in Bombay only 3½ times as high, *i.e.*, does not stand far behind the German." There is no ground to suppose that since 1895 or 1908 the Indian worker has deteriorated or that the Lancashire worker or the Japanese worker has advanced at a faster rate. Such comparisons can be sound only when the conditions are identical. Mr. Rajani Kanta Das also, in his book on "Factory Labour in India", refutes the prevalent notion that three factory employees in India are equal to one in Great Britain on the ground that there does not exist the equality of working conditions for such comparison. In "Hindustani Workers on the Pacific Coast" the same author produces evidence from American and Canadian employees to show that Indian workers in California and British Columbia are as good as Chinese, Japanese, American and Canadian workers. When a charge of inefficiency is levelled against the Indian worker, factors other than worker's skill, powers of endurance and capacity for continuous work which contribute towards efficiency are generally ignored. Also it must be remembered that the worker's skill, powers of endurance and capacity for continuous work are subject to conditions over which he has no control whatsoever. Apart from climatic conditions, the conditions in the works are responsible to a greater extent for the efficiency of the worker. The discomforts arising from excessive heat or humidification, want of ventilation, lack of facilities for taking the mid-day meal or rest during the recess hour, want of cleanliness, tend to deprive the worker of a lot of energy which would otherwise be used by him in attending to his work with the required concentration of mind. Also conditions outside the works such as good housing facilities, healthy recreation, etc., which keep a man in a fit condition and full of energy must be taken into consideration. It is a notorious fact that both the inside and outside conditions in this country are not half so favourable as in Lancashire. Again for want of skill, if there be really any, of the Indian workman, he himself cannot be held responsible. Facilities for training must be provided by the mill-owners. It is absurd to expect the workmen to be skilled without receiving training. Sometimes it is said that the workmen have made no progress in their skill, though the mill industry is in existence for over 70 years. Skill has to be acquired and for its acquisition facilities must be provided. Also, skill being an acquired quality, is not transmitted from generation to generation. My Union is surprised to hear the charges of inefficiency levelled by the millowners who have practically done nothing to increase the efficiency of their workmen. They are still indifferent. The Social Service League of Bombay has started a Textile Training School, but the millowners, excepting three or four of them, did nothing to help it, and no millowner is sending his employees to the School to receive training by providing scholarships for their maintenance till the course is completed.

32. A good deal of the so called efficiency depends upon the provision for up-to-date labour saving machinery. Bombay is much backward in this respect in comparison with western countries, and also with Japan. A Bombay workman minds about fifty spindles while a single girl operative in America tends from 896 to 1,200 spindles. Similarly a weaver in Bombay manages only two ordinary power looms while a weaver in Lancashire manages on an average 4 ordinary looms and 8 to 10 or more automatic looms, and a weaver in America manages from 15 to 20 automatic looms. These differences are due mainly to the difference between the machineries used in the respective countries and to the training of the workers, the other factors also having their shares in the results.

33. *Absenteeism and Migratory character of Bombay Labour.*—So much has been said and written by the millowners, their friends and sympathisers about the absenteeism and migratory nature of Bombay labour that my Union feels it necessary to say a word about it. We admit that the attendance of workers in the mills is not so regular as the millowners wish it to be; but we do not think that the blame lies all on the side of the workers. The millowners are much more responsible for this state of affairs than any body else. The conditions of service, bad housing and the general climatic conditions in Bombay account a good deal for the workers' absenteeism. They constantly fall ill and also members in their families. This necessitates their absence from work. There are other domestic difficulties and obligations to their neighbours which add to the percentage of absenteeism. In the administration of mills, there is no provision for sick or casual leave of which the workers can take advantage. If this provision is made, my Union feels that absenteeism may be reduced because the workers will begin to feel the responsibility of the privilege conferred upon them and will take its advantage in time of need. Moreover, the long working hours and the conditions prevailing in mills are so taxing that it is no wonder that they should feel the necessity of rest and remain absent for a day or two. This can be remedied by providing for a system of casual and privilege leave to the workers. Thirdly, as has been stated in the Union's replies to the Board's questionnaire, owing to the climate conditions in Bombay, the workers do feel the necessity of going out of the City for a month or two to recoup their health. Taking all these facts into consideration, my Union is of the opinion that the percentage of

absenteeism in Bombay is not very high and that it is not higher than that obtaining in many other industrially developed countries in the world. But even this percentage can be reduced if only the millowners mean to do so. In this very City, the percentage of absenteeism in Mr. Addyman's Woollen Mills is only 3½ per cent., whereas in the cotton mills it is between 10 and 11 per cent. It is, therefore, clear that, even under existing conditions, absenteeism can be reduced provided the employers have the will to do so. The system of production or efficiency bonus, if introduced, may help the employers in reducing absenteeism. My Union repudiates the charge that the workers absent themselves voluntarily because they have earned sufficient to keep body and soul together and lack the will to increase their wages to the maximum. The so-called "voluntary" absence is due in most cases to fatigue and worry caused by continuous work, which compel the workers to take rest for some time. To say that they have earned sufficient to keep body and soul together is to shut one's eyes to the low wages, the cost of living in Bombay and their indebtedness; and to say that they lack the will to earn more is to ignore human nature.

34. As regards the migratory nature of Bombay labour, my Union does not believe that it is migratory. Professor Burnett-Hurst in his book, referred to in previous paragraphs, states that 11 per cent. of the textile population comes from the United Provinces and it is absurd to say that this population is migratory. It is permanently established and has passed more than two generations in Bombay. The large bulk of the textile population comes from Konkan and the Deccan. It is true that they hail mainly from the agricultural classes; but for many reasons which it is not necessary here to go into, they are the people who find it difficult to make agriculture a source of maintenance to them; and, therefore, they migrate to cities like Bombay and take to industrial life. It may be that a few of them may have their lands in their villages and it may be necessary for them to go there once a year to look after their lands. But this cannot be said in the case of a vast majority of the workers. If the managers will only unfold their muster rolls to the Tariff Board, it will be found that thousands of workmen have put in long service ranging from ten to thirty or even more years. In the absence of any reliable and accurate data, it is hazardous to make a statement that Bombay labour is migratory. Moreover, such a statement coming as it many times does, recoils on the millowners themselves. If during the seventy years of the existence of their industry, the millowners could not build up a permanent industrial class of workers, it reflects little credit on their reputation as efficient managers of a big industry that they claim to be. All the same the Union believes that the change of climate resorted to by the mill-operatives once in a year or two for the benefit of their health does not detract from their efficiency, in that this change brings about a decided improvement in their health and that they return to their work in a fitter condition than that in which they generally leave for their native villages. Considering the present housing conditions and the conditions inside the mills and also the climatic conditions, it is doubtful whether a permanent population of mill-workers will be an unmixed blessing. Besides, the industrial population which is not totally divorced from land is less subject to the rigors of unemployment. Purely industrial labour is not without its special disadvantages to counterbalance the advantages accruing from it.

35. *Assaults.*—The operatives are treated in the mills as if they are a commodity, and a low commodity for that matter, and, therefore, they can be handled in any way the management likes. Assaults are very common in the mills. Any official, from the manager down to the jobber, and even the sepoys, can beat the poor and helpless workers. The Union has recorded eight complaints of assaults of which five were successful, two dropped and one is pending. The very fact that none of these complainants was unsuccessful proves the innocence of the workers and injustice of the employers. Two complaints were dropped in the interest of the complaints as they feared that they might be victimised if the Union were to proceed with the cases. The Union is firmly of opinion that this brutal punishment should be stopped forthwith. Mere law is helpless in such matters. The millowners must see to it that the management is more humane. Otherwise the discontent among the operatives is bound to have an adverse effect on the harmonious relations between them and the management which is essential for the progress of the industry.

36. *Strikes.*—Besides the general strikes, there take place frequently small strikes of short duration in several mills in Bombay. As they are confined to individual mills or only a few departments therein, they often end with little benefit to the workers. The reasons for these strikes are generally the reductions in rates of wages. It is both in the interest of the industry and the workers to avoid such strikes which do harm to both; and that can be achieved by the standardization of wages. My union, therefore, strongly recommends that immediate steps should be taken to institute a system of standardization of wages. The Union desires to add that the standardization should be fixed in

consultation with the workers. There is also a very great necessity of having the minimum wage of the operatives fixed and of the provision of a sliding scale based on profits and the cost of living. It is also necessary that the workers should know beforehand the rates they will get for the work they are asked to do.

37. *Women Workers.*—The number of women workers in the Bombay mills is about 30,000, *i.e.*, they form about 20 per cent. of the total textile labour population. From the figures of wages given in the second (1923) Wages Report of the Bombay Labour Office it will be seen that the women get only half of what the men get. The points raised in paragraphs 16 to 22 hold good as much in the case of women workers as they do in the case of male workers and, therefore, the average monthly wages paid to the women, when considered separately from those of the male workers, must necessarily be put down at a much lower figure than that given in the Labour Office Report. The Union is, therefore, of the opinion that the wages given to women are not even subsistence wages and must be increased considerably. It is wrong to suppose, as is mentioned in certain quarters, that the women's wages form only a supplementary income to the families and, therefore, the inadequacy of their wages does not become a factor worthy of serious consideration. The Union does not accept this statement. There is, so far as my Union is aware, no data which shows that most of the textile workers are grouped in families the male and female members of which are engaged in the mills. On the contrary, from the enquiries made by the Union it finds that a vast bulk of the operatives are such as have separate financial interests. It may be that they may be related to one another and perhaps they may be living together; but that does not necessarily mean that their financial interests are the same. The Union does not think that many instances of parents and children or husbands and wives living together and earning can be found among the textile operatives. It is generally the case that, owing to inadequate and high cost of living in Bombay, the workers keep their families in their villages and live here singly with their relatives or friends. Until the contrary is proved on the strength of accurate and reliable data, the Union is not prepared to accept that the women workers' earnings form only a supplementary income of the workers' families. Moreover, in the opinion of the Union, it is wrong to take into account the women's and children's earnings while calculating the earnings of a family. We do not agree with the view that a family should depend upon the earnings of woman and children.

38. In addition to the hardships from which and the disabilities with which the women workers suffer in common with the male operatives, there are a few more grievances which are peculiar to the former. Several mills in Bombay have not yet provided for *creches* although it is now generally recognised that *creches* are a necessary feature of the welfare work carried on in industries which engage a large number of women employees. In only a few mills in Bombay maternity benefits are given to women during their confinement. The Union does not think it necessary to dilate upon the urgency of introducing compulsory maternity schemes with maternity leave and maternity allowance. It is idle to expect that the millowners will, of their own accord, voluntarily undertake these schemes. In support of this view, the Union may cite the cases in the Madras mills, recently published in the press, of several women workers, who had advanced six or seven months in pregnancy, who were dismissed from service in order to save the maternity charges that the mills professed to give voluntarily. Moreover, the experience of the other countries in the world which had introduced maternity schemes on a voluntary basis shows that the schemes proved a failure. Those countries were subsequently forced to make the schemes compulsory by law. It is high time that India should profit by the experience gained by other countries and enforce compulsory maternity benefits on the employers. Lastly, most of the women workers in the mills have to work under forewomen who are called *naikins*, who are mostly tyrants of the worst kind. Not only do they exact *dasturi* by direct and indirect means but also they treat the women under them in a brutal manner. Vile abuse is very common; cases of assault also occur now and then. The poor women dare not complain against the *naikins* and even if any of them did, the management, as a rule, would not interfere.

39. *Absence of Minimum Human Requirements.*—The workers in mills are not provided with even minimum human requirements. In the first place, there is no provision for the workers to take their mid-day food during recess hour. They have either to go to their so-called homes and come back running hurriedly after a full stomach or to eat near some dirty corners in the mill compound. The Union understands that there are a few mills which do not allow the male workers to carry their food inside the mill; they must go out and eat wherever they can. Secondly, the workers complain that good arrangements are not made in all the mills for getting cool drinking water. Thirdly, the provision of the latrines and urinaries is most inadequate and unsatisfactory in several mills; and the result is that a large number of workers have to wait outside for some time before they get entrance to the latrines or urinals. This inevitable waiting is termed by the

employers as " loitering " for which the workers are scolded, and in some cases assaulted by the mill sepoys. In some mills, the workers are not free to go to the latrines or urinals when they require to do so. They have provided passes in the proportion—which varies from mill to mill—of 2 for each 24 men ; and the operatives are not allowed to enter the latrines or urinals unless they bring the passes with them. If the passes are not available in time, they have to pay the penalty for not answering the calls of nature in time ! Can cruelty go further ? Fourthly, the medical arrangements are defective and inadequate. In the case of accidents, first-aid appliances are not immediately available. The Union is aware that some mills have their own dispensaries for the benefit of the workers ; but it is common knowledge that most of them are not taken advantage of by the workers to the extent to which they should ordinarily do. It is indeed worthwhile to enquire why this is so. The Union understands that in a few mills, there is a practice of deducting about four annas from the monthly wages of the workers for medical purposes. Fifthly, there are a few cases on the Union's record which show that some of the mill managers do not show even the ordinary courtesy of giving certificates to the workers discharged by them. If these and other complaints of a similar nature are promptly removed, my Union thinks that much of the discontent prevailing among the operatives will disappear.

40. *Welfare Work.*—Except in the case of a few mills, particularly those of the Tata and Currimbhoy groups, very few mills in Bombay carry on any welfare work for their operatives. Chapter 10 of Professor Burnett-Hurst's book on welfare work makes interesting reading. It will show what kind of medical relief and first-aid is given to the operatives, how deliveries of pregnant women have taken place at the gates or in the compound of the mills, how many mills have provided for recreation for their workers, whether there are any facilities given to the workers to get good wholesome food at moderate prices as is done in a number of factories in England through canteen arrangements, and whether the millowners have provided for any facilities for the workers' baths, mental development, etc. It will be seen therefrom that welfare work is conspicuous by its absence in Bombay mills with a few honourable exceptions. It is the opinion of the Union that, both in the interest of the workers and the employers, welfare work should be immediately organised in Bombay mills.

41. *Primary and Technical Education.*—The greatest handicap from which the workers suffer is their ignorance. The percentage of literacy among them is so small that it can be taken as almost negligible. The authorities in Bombay, who are responsible for the growth of primary education, have not made any attempts worth the name to educate the workers and the result is the low standard of living of these unfortunate people. It is high time that they take immediate steps to introduce free and compulsory education in those wards of the City where it is not already introduced. The Union is aware that only recently free and compulsory primary education has been introduced in only two wards of the City ; but the progress is very slow. It is also necessary that free and compulsory education must also be introduced in the districts from which the textile workers come. Most of the causes that have kept the workers in their present deplorable position can be traced to lack of knowledge among them. My Union, therefore, strongly recommends that primary education should be made universally compulsory and free without any more loss of time.

42. Lack of technical education is to a great extent responsible for the alleged inefficiency of the workers. The mill industry has been in existence for the last seventy years and the millowners have not so far made any efforts to provide for the technical training of the workers. It is absurd to expect that the workers should gain technical knowledge of the machinery they handle and the work they do without any outside help. Little wonder, therefore, that our industry should not be able to compete successfully with highly organised countries like Japan where the percentage of literacy is very high and where the millowners are reported to have made provision for imparting technical education to the workers. The fact that our workers have been able to pick up the mill work, to which they are not accustomed, to the extent to which they have done, surely reflects great credit on their intelligence and shows their anxiety to serve their masters faithfully. Reference has been made in our replies to the Board's questionnaire to the Textile Technical School recently started by the Social Service League, Bombay, with the generous donation of Sir N. N. Wadia, for the benefit of the workers. But it is starving for lack of encouragement from the millowners. It is the considered opinion of my Union that provision should be immediately made for giving technical training to the operatives. Unless this is done, there is hardly any hope of our mills competing successfully with the foreign countries.

43. *Lack of Organisation.*—The Board may be aware that the textile workers in Bombay are not properly organised. This Union has been started only on 1st January 1926. There are also a very few other unions of the textile workers in Bombay. The

total strength of all these unions taken together is very small; it may not exceed 15,000 at the most. There are thus over 135,000 operatives who have not yet come under any organisation. Owing to their ignorance and lack of experience, the workers have not yet come to understand the necessity and value of organisation. But, even under present conditions, my Union thinks it possible to organise all the workers. Its experience during the last eight months points in the same direction. But there are some very serious obstacles in the way which considerably hamper the work of organisation and which come mainly from the mill authorities. My Union is aware of the promise given by the Committee of the Bombay Millowners' Association to Mr. T. Johnston, M.P., during his last visit to India that they would recognise a well organised trade union of the textile workers. It also knows that some of the millowners have genuine sympathy with the workers' organisation. But the difficulty is that their sympathy has not yet been translated into action. No facilities are given to those who are anxious to organise the workers. On the contrary, some of the millowners, the Union has come to know by experience, look with disfavour any organisation of the workers; at any rate, their conduct in dealing with this Union leads one to hold this view. In a few cases, we have not been shown even the ordinary courtesy of sending replies to our letters about the workers' complaints from their mills. The Union received only the other day a complaint from almost all the line jobbers of a mill that their rates were cut down. The Union sent as usual a letter to the manager stating the jobbers' case and making it plain that they are anxious to see complaint settled amicably. The letter also requested the manager to give an opportunity to the Union's representative to see him in order that the jobbers' grievance may be explained to him. The manager did not send a reply to the Union's letter! It was the Agents who sent the Union a letter of which the following is an extract:—

"Our Manager has forwarded to us your complaint No. 427, dated the 20th of August.

So far no complaint has been made by the Line Jobbers. Previous intimation of the proposed reduction was communicated to them through their respective Head Jobbers during the commencement of July.

If the Line Jobbers have any reasonable grievance they may see the Management on the subject."

It will be seen from the above that the letter contains no reference to the Union's request to give its representative an opportunity to see the manager. The tone and the curtness of the letter clearly show that the Agents do *not* want the interference of the Union. By the way it may be stated that the jobbers have denied the statements made in the second paragraph of the above extract. As regards the small mill authorities, most of them (with some honourable exceptions) hinder the work of organisation. They view with disfavour those workers in their mills who have joined the Union. The latter are marked out for special treatment and no opportunity is lost to give them a deterrent punishment. The Union receives almost daily some complaints from its members of their being harshly treated because they happen to be members of the Union. There are some cases on its records of its members being victimised. One typical case deserves mention. A worker on being dismissed recorded his complaint in the Union's office. By the time the Union sent its letter to the Manager the complainant got a "badli" in the same mill. On receiving the Union's letter, the Manager got so furious that he not only dismissed the worker immediately from the "badli" job but the latter was immediately driven out of the mill. The lower the grade of the mill officials, the greater the prejudice against the Union. Once my Union convened a meeting of the head jobbers and jobbers of a mill to persuade them to join the Union and influence the operatives under them to do the same. After hearing the aims and objects of the Union and the work that it will do, they clearly saw that it was not in their interest to join it and, therefore, they refused to have anything to do with the Union with the result that such of the workers under them as had joined the Union before ceased to be its members. Instances of this nature can be multiplied; but my Union has no desire to add to the length of this statement by doing so. The Union is glad to admit that some of the managers have shown sympathy with it and helped it in removing some of the grievances of the operatives. But their number is unfortunately small! The Board will thus realise the difficulties that lie in the way of organisation. They are not insuperable and can be removed slowly. But my Union thinks that the pace of organisation can be considerably hastened only if the millowners instruct their mill authorities, high and low, to treat the labour organisations with sympathy, give the organisers such facilities in their work as may be possible and, above all, give up altogether the policy of victimization. If this is done, my Union is confident that the work of organisation will be much smoother and the industry will also gain much by an organised and well disciplined labour force.

44. Such is the pitiable condition of the textile workers in Bombay. Unless it is radically changed, the Union does not think that the mill industry will be improved considerably and will be in a position to compete with Japan and other countries.

Mill Management

45. So much has been written during the last two years in the press about the way in which the mill industry is managed by the millowners that my Union does not think it necessary to add anything more to it. The Committee of Assistance to the Textile Workers which was organised in Bombay last year during the general strike, published four pamphlets on the mill industry with special reference to the reduction in wages then announced by the millowners. They contain views of a few prominent newspapers and public men in the City on the Bombay Textile Industry. Copies of those pamphlets have already been supplied to the Board for their information. My Union begs to draw the Board's particular attention to pamphlet No. 1 which contains six articles on the mill industry in Bombay published by the *Bombay Chronicle* last year, to the statements of Mr. B. J. Padshah in pamphlets Nos. 2 and 3 and to the two articles by "Pro Bono Publico" in pamphlet No. 3. I also enclose (*i*) a set of the articles recently appeared in the *Bombay Chronicle* under the name of "A Black Sheep" dealing specially with the mill management, and (*ii*) a set of the copies of the *Guardian* of Calcutta containing four articles on "Protection for the Cotton Industry" by Mr. P. G. Kanekar. A perusal of all these articles and statements will show the Board that they contain most serious and grave allegations against the millowners for the gross mismanagement of their mills. The Union has no data before it on the basis of which it can judge the veracity or otherwise of these allegations; but it believes that most of them may be substantially true. It, therefore, ventures to make a strong recommendation to the Board that they should enquire into these allegations most carefully and find out whether they are correct. If, after thorough investigation, the allegations are found to be substantially correct, the Board should recommend the adoption of immediate steps to stop the abuses prevailing in the mills as a condition precedent to the grant of protection, if the Board propose to recommend any at all. The Union strongly recommends the abolition of the agency system and the substitution of a suitable machinery to conduct the industry on sound and efficient basis. The Union understands that the superior staff in the mills is very highly paid and that there are many posts with fat salaries which are not necessary at all for the efficient working of the mills. Further, it is firmly of opinion that bribery and corruption in the mills must be stopped forthwith. In short, the Union strongly believes that it is in the interest of the workers as much as in the interest of the millowners that all the abuses and the wastage going on in the mills must be stopped without any further delay. My Union entirely concurs with the following remark of the late Dr. T. M. Nair in his minute of dissent on the Report of the Indian Factory Labour Commission, 1908:—

> "In my humble opinion, in India it is the worker who suffers from bad management and not the management that suffers from bad workers."

JAPANESE COMPETITION

46. From the replies given by the Union to the Board's questionnaire, it will be seen that the Union does not think that the Japanese competition has become so serious as to threaten the very existence of our cotton industry, although it recognises that the Japanese imports in yarn and piecegoods have increased in recent years. But we leave the whole question of the Japanese competition for the investigation of the Board.

47. There are, however, one or two points in connection with this question which deserve mention. In the first place, my Union emphatically repudiates the implied suggestion in the letter addressed by the Millowners' Association to the Government of India, dated 9th March 1926, that the ratification of the Washington Conventions relating to hours of work and non-employment of women at night, by the Government of India, placed a handicap on the cotton mill industry of this country. Apart from the fact that the ratification of the said two Conventions did not effect any material alteration in the law applicable to employment in the cotton mills, as pointed out very effectively by the Government of India in their reply to the Millowners' Association's said letter, the ratification of the Conventions was a sacred duty of the Government, not only from an international point of view, but also from a humanitarian standpoint. When humanitarian principles are involved, considerations arising out of the international trade jealousies ought not to be allowed to outweigh them. Industry is not an end in itself. The prosperity which is achieved at the cost of the workmen's health and happiness contains the germs of its own destruction. By ratifying the Washington Conventions India did nothing more than its duty—duty to labour on whose health and happiness the future industrial prosperity of the country depends. It must be recognised that if Japan ratifies the Washington Conventions, it will make the path of

workers in India easier in the direction of securing better conditions for themselves. Here my Union is tempted to ask the millowners who clamour so loudly against the Japan's non-ratification of the Conventions, whether they have made any attempts to see that these Conventions are ratified by the Indian States in which a number of cotton mills, some of which belong to the Bombay millowners, have been recently started. It is known that in several Indian States hours of work are much longer than in Bombay and the employment of women and children is not disallowed. If they have not done so, my Union does not understand how they can ask Japan to ratify the Conventions. Secondly, my Union understands from the statements issued by the Japan Cotton Spinners' Association from time to time that the hours of labour in the cotton spinning industry in Japan are not eleven per day, but that since 1923 the principle of the ten-hour day has been observed, "except in a very few instances." Moreover, from the same source, we learn that the wages paid to Japanese workers are generally 33·53 yens per month, which, when converted into Indian coin at the rate of 155 per 100 yens, amount to Rs. 52-4-0; whereas the average monthly earnings of the Bombay workers, even according to the Labour Office figures, do not exceed Rs. 30. Thirdly, the Japanese allege that they spend large sums of money on the technical training of their workers and welfare work. But as the Union has no definite information on these points, it prefers not to express any opinion on them.

PROTECTION

48. The Union desires to bring to the notice of the Board the fact that Lancashire is to-day suffering from depression; perhaps Lancashire's condition may be said to be worse than that of India in this respect. But there is, so far as the Union is aware, no demand from Lancashire for protection. It is, therefore, hard to understand why the millowners in Bombay should think that there is no salvation for their industry unless it gets protection and should take it for granted that everything in connection with the industry for which they are responsible is perfect and requires no modification by way of improvement.

49. From the Union's replies to their questionnaire, it will be evident to the Board that the Union has expressed itself against most of the proposals put forward by the millowners for securing protection for their industry. But this expression should not be taken to mean that the Union is against protection. Far from it; it only means that it is against the particular methods by which they seek to secure protection; because it honestly believe that these methods will not achieve the object which the millowners have in view. It is the firm conviction of my Union that the protection to be given to the mill industry should be of such a nature that it should enable the industry to purge itself of all the causes that are coming in its way in successfully competing with other countries and thus hampering its growth. This can be achieved only by radically reforming the mill administration and the conditions of labour. If this is done, we believe that our industry will be able to hold its own not only in the home market but in foreign markets also. And my Union is willing to support such measures of protection as are calculated to achieve this end. Such measures alone, in the opinion of my Union, will ultimately put the industry on sound, efficient and businesslike basis and save it from unfair foreign competition. The kind of protection asked for by the Bombay Millowners' Association will necessarily be of a short period and will not, therefore, help them much.

50. The imposition of an additional import duty of 13 per cent. on yarn and piece-goods recommended by the Millowners' Association will have a very adverse effect upon the prices of cloth in India. They will go high considerably and the consumer and ultimately the industry itself will suffer. The Board are already aware that the prices of cloth are much higher than those of other commodities and if they are allowed to go still high, my Union is afraid that the prices will be almost prohibitive and that the demand for cloth will be much less than it is to-day. Moreover, my Union is more than doubtful whether, by raising the import duty, the imports of foreign and especially Japanese goods will be restricted or their prices will be such as will enable the Indian mills to sell their cloth favourably. If Japan takes it into her head not to lose the Indian market she can adopt measures to still further lower the selling prices so as to maintain her position in India. If this is done the additional import duties will have no effect whatever; and the Indian mills will still be in the position in which they are to-day. Further, the Bombay millowners' object of bringing the labour conditions in Japan on par with those in India will not be achieved; on the contrary, the Japanese employers may worsen the labour conditions there in order to enable them to compete in Indian market with the increased import duty. The net result, therefore, may be that (*i*) cheap foreign cloth may be dumped on our market as was done in the case of the steel industry; (*ii*) Japanese labour conditions may be worsened; and (*iii*) the prices of cloth will go high in India

owing to which the demand for cloth will be much less than what it is to-day. For these reasons, my Union does not think that the imposition of an additional import duty will help the cotton industry in India in any way. We have, therefore, suggested in our replies that, if, after thorough investigation, it is found that there is an unfair Japanese competition with Indian goods, Japanese goods may be prohibited from entering India till Japanese labour conditions are not improved. We know that by this remedy also the prices will go high to the detriment of the consumer; but it will happen only for a short period. Because Japan will have no other alternative but to improve her labour conditions if she wants to maintain her Indian market. My Union recognises that it is a drastic remedy; but it thinks that, although the consumer in India will suffer for some time, its adoption will not have the adverse effects mentioned above that the imposition of an additional import duty may have.

51. It is very difficult for the Union to recommend any concrete proposals on the lines suggested in para. 49. But it may be stated that help should be given by way of subsidies or loans without interest (*i*) to improve the mill machinery and to put up automatic looms, if possible; (*ii*) to introduce specialisation and avoid over-production in particular grades and varieties and thus eliminate internal competition; (*iii*) to make experiments by which the mills may be able to improve their production; (*iv*) to make efforts by which the sales may be increased both in Indian and foreign markets; and (*v*) to train the workers to increase their efficiency and to better their conditions of life and service. My Union desires to make it perfectly clear that such help should be given only after the millowners satisfy the criterion referred to in the Board's questionnaire (question No. 40), *viz.*; that of efficiency and economy, and if the millowners promise to radically improve the labour conditions. Further, this help should be given only for a temporary period during which the millowners should prepare themselves to face the world competition without any outside help. Money required to help the industry, as suggested above, should be raised by a special direct tax which should be imposed upon those who are able to bear its burden.

ANNEXURE A

A statement showing the complaints of the mill operatives received by the Union, with their nature and results

Nature of Complaints	Total No. of complaints	Successful	Unsuccessful	Dropped or cancelled	Pending	Alleged Reasons
(1) Dismissals ..	54	18	9	7	20	(1) Alleged absence without obtaining leave. (2) Alleged inefficient work. (3) Absence from duty owing to sickness. (4) Alleged misbehaviour. (5) Alleged spoiling of work. (6) Quarrels between the workmen and the jobbers. (7) Alleged incitement to other fellow-workmen. (8) Reduction in staff. (9) Refusal of leave for sickness and then discharging the workman if remained absent. (10) without stating any reasons.
(2) Fines ..	21	1	4	5	11	(1) Alleged spoiling of cloth. (2) Irregular attendance. (3) Alleged negligence causing damage to the machinery. (4) Alleged misbehaviour. (5) Alleged absence without permission.
(3) Withholding of wages.	25	13	1	1	10	(1) Without any valid reasons. (2) Alleged absence without permission. (3) Alleged failure to resume duty after the expiry of the leave granted. (4) Refusal to pay earned wages if sickness disabled the workman to join duty.
(4) Refusal to re-employment.	12	2	5	3	2	(1) Alleged absence without leave on account of sickness. (2) Left Bombay for their native places after the general strike of 1925. (3) Leave granted for sickness but employment refused after returning. (4) Assaulted and discharged by the jobbers on account of alleged spoiling of work. *N. B.*—It was noticed that many of the complainants under this category had served their mills for a considerable period, extending from 5 to 25 years.
(5) Gratuity ..	5	2	1	1	1	(1) Declared unfit by the mill doctors on account of defective eyesight due to old age. (2) Obliged to retire on account of serious illness and defective eyesight. *N. B.*—All the claimants for gratuity were found to have served in their mills from over 25 to 35 years.
(6) Compensation ..	9	2	..	2	5	(1) Loss of index finger. (2) Injury to fingers while cleaning the machinery. (3) Injury to fingers while working on the looms.
(7) Assaults ..	9	5	..	2	2	*Nature.*—Slaps to female workers by doffers and jobbers resulting in slight injuries. (2) Beating with shoes and slaps in the face by some jobbers and head-jobbers. (3) Beating by head-jobbers for alleged spoiling of work. (4) Kicking and severe beating by an Anglo-Indian Carding Master. *N.B.*—Most of the cases of assaults were brought to an end by an expression of regret on the part of the assaulters and the mill authorities promising to issue warnings to put a check upon their officers in future.

ANNEXURE A—contd.

Nature of Complaints	Total No. of complaints	Successful	Unsuccessful	Dropped or cancelled	Pending	Alleged Reasons
(8) Reduction in rates of wages.	7	..	1	4	2	(1) Reduction on the ground that the wages first fixed were given at a higher rate through the oversight of the time-keeper. (2) Reduction due to the percentage on production given to jobbers being found to exceed the total percentage received by head-jobbers. (3) Rates of wages given were found to be higher than those obtaining in other mills.
(9) *Miscellaneous*: (*i*) Ill-treatment of women.	24	8	4	1	11	(1) Women were fined and made to stand outside the department in the hot sun for hours together.
(*ii*) Putting the workmen off duty.						(2) Workers were given compulsory leave against their will on the plea of slackness of work or late attendance.
(*iii*) Reduction in the number of workmen.						(3) Distribution of work done by five amongst four and penalising them for not turning out the same amount of work.
(*iv*) Refusal of leave for funeral purposes.						(4) The workers were refused leave for half a day for attending funeral ceremony.
(*v*) Interference with Union's work.						(5) Union's members authorised to collect subscription were abused by the jobbers.
(*vi*) Enhancement in rent.						(6) Rent of a mill's chawls was increased by annas 8 per room without any additional improvement or convenience.
(*vii*) Refusal of the ticket.						(7) The workman received injury while working on a machine but the substitute given by him was refused a *badli* ticket.
(*viii*) Requisition for certificates.						(8) The jobbers were discharged as a result of having gone on strike and were refused certificates of good work.
(*ix*) Transfer of looms.						(9) The worker was transferred from a big to a small loom which adversely affected his wages.
Total ..	166	51	25	26	64	

Replies to the Questionnaire of the Indian Tariff Board

SECTION I

General

1. The present depression in the Cotton Textile Industry is mainly confined to Bombay. In Ahmedabad, the Union understands, practically there is no depression and that nearly all the mills made profits in 1925 ranging from 1 to 5½ lakhs of rupees. Also the mills in the upcountry centres do not appear to be working at a loss. This depression does not affect all mills in the same centre alike. Even in Bombay some mills are working profitably, as will be seen from Appendix I. In the mofussil the Sholapur Spinning and Weaving Mills & Company was able to make a net profit of Rs. 13,36,741-1-9 including Rs. 3,39,342-2-6 brought forward from the last year's accounts for the year ended 31st March 1926 and to distribute a dividend of Rs. 700 per share of Rs. 1,000 for that year. How the mills at different places stand can be seen from the current market quotations of mill shares. The following extract is from the "the Times, India," dated 2nd August 1926. There has not been any considerable change since the said date.

(Dividend last half Year)

Ahmedabad Advance (100), Rs. 12½, 421¼.
Apollo (50), nil, 6½.
Berar Mills (200), Rs. 20, 170.
Bombay Cotton Mfg. (500), 315.
Bombay Dyeing (250), 25, 905.
Central India O. (Nagpur) (100), 16, 523¾.
Central India P. (Nagpur) (500), 12-8, 430.
Century (100), 385.
Colaba Mills (100), 135.
Crescent (100), 187½.
Dawn (250), 30, 665.
David (500), 300.
E. D. Sassoon United (10 F. Pd.), As. 14.
Edward Sassoon (200), nil, 140.
Elphinstone (100), nil, 20.
Fazulbhoy Mills (250), 25, 885.
Framji Petit (1,000), 500.
Finlay (100), Rs. 15, 125.
Globe (100), 25.
Gokak Mills (100), 115.
Indore Malwa (100), 12½, 380.
Indian Dyeing and Bleaching (100), 12¼, 175.
Jamshed Manufacturing (250), 60.

The above will bear out the fact that all mills in the same centre are not affected alike.

2. The depression is partially due to world factors as most of the countries in the world are suffering from trade depression. Also it may be traceable to high prices and to the fall in the purchasing power of the consumer. Factors special to a particular locality are not considerable so far as natural advantages or disadvantages are concerned. The local causes connected with organisation of industry, economy in and efficiency of management, technique, etc., contributing to the intensification of the depression are not natural, and can be removed by a better organisation of the industry.

3. The causes of the present depression in the industry are temporary so far as the world factors are concerned. However, boom periods like the post-war one must be considered exceptional and must not be expected as a normal condition. The depression may remain permanent in the Bombay cotton mill industry if early steps are not taken to reorganise it on a sound basis, particularly on the side of management.

4. The price of raw cotton has not much to do with the losses that are shown to be suffered by some mills, as will be evident from the fact that other mills are able to make profits under the same conditions regarding raw cotton. Moreover, compared with the cotton prices in years 1922, 1923, 1924 and 1925, those in the year 1926 are much lower and there is every possibility of the present rates becoming still lower.

5. Answer to this question is covered by the answer given to question 1. At Ahmedabad the mill-owners are selling at a fair margin.

6. A further fall in the price of raw cotton may have some effect, but at the same time it may, if brought about by artificial means, postpone the re-organisation of the industry which is essential for its salvation. If the present methods of conducting the industry are to be continued a further fall in the price of cotton alone will avail but little. Moreover, the interests of the cultivators of cotton must be considered. It is just likely that cheapening of cotton by artificial means may discourage cotton cultivation. Secondly, there is the possibility of the mills having large stocks unsold being hit to a certain extent by a sudden fall in the price of cotton.

7. Cotton prices fluctuate violently mainly owing to speculation in which some of the millowners themselves indulge and the prices of yarn and piecegoods depend to a certain extent on the price of raw cotton.

8. The prices of cotton goods have not kept pace with the fall in the price of raw cotton and that of other commodities. Also there has been a considerable overproduction in particular varieties. The number of spindles and looms has increased in recent years (as shown in Table 2 appended to the Bombay Millowners' representation) and the increased production consists of varieties which were turned out before. Hence the accumulation of stocks and the consequent depression.

9. There has been a fall in the purchasing power of the ryot since the War. Sir Victor Sassoon, Bart., writes while commenting on the Currency Commission Report: "……if one looks at the consumption figures of piecegoods both imported and locally made it will be found that consumption has dropped from 12½ yards per head per annum to 7½ yards (hand-loom products are left out, the figures not being available)."

10. It may be that owing to low prices of gold and silver people having money to spare may be investing their savings in the precious metals. But the Union does not think that they are doing so by restricting their purchases of cloth to a minimum. This is a far-fetched inference and has no foundation in truth.

11. To a considerable extent the present depression in the industry can be attributed to a lack of organisation among the mill-owners generally as well as to lack of proper management of individual mills and to their antiquated machinery.

12. It has not been due to depression that some mills have changed hands, some have closed down and some have gone into liquidation since 1922. A few mills changed hands at exorbitant prices during the boom period. A few mills which were privately owned before were turned into joint stock concerns and the old owners got the prices at an exaggerated valuation. Thus the depression has not been the cause of change of hands, but the change of hands has contributed to the intensity of the depression, this change of hands having resulted in overcapitalisation or stock-watering. Speculation and profiteering were at the root of the change. Not only machinery of the mills but also the land occupied by them was over-valued, there being a land boom also in the market at that time. Agencies of some mills were transferred, but the cause was not depression. The agents who had speculated in cotton on a large scale lost heavily and had to sell or mortgage their agency rights. The mills which had to close down or go into liquidation had to do so on account of gross mismanagement, exceptionally bad equipment or litigation. The Bombay millowners themselves own to their having 'strong' and 'weak' mills (Bombay millowner's representation, page 2). This means that there are factors of weakness besides the general depression. Some mills which were making profits during the boom period in spite of mismanagement or bad equipment found it difficult to pull on when depression set in. Hopelessly mismanaged or ill-equipped mills cannot hope to be profitable even in normal times. That other mills had not to close down or go into liquidation shows that the causes in the case of the former class of mills were other than mere depression in the trade. As regards the projected mills, it may be pointed out that they were projected during the boom period, which perhaps was counted upon as a permanent condition of things, and before the projects could be carried out the boom had passed. They had however to pay the boom prices of their land, machinery and fixtures of all kinds, not to mention the case of overpaid superior staff. Had the projected mills been able to work they would have perhaps added to the congestion of cotton goods as the addition would have been to the same kinds of goods. The projects of the new mills cannot be said to have been on new lines, the temptation offered by the huge profits during the boom period having been the sole origin of those projects. The fever of speculation was very high in the share market during the boom period and a number of new concerns were floated. Mr. J. A. Wadia in his review of the Indian Textile Industry for the year 1922 says: "Our paid-up capital to-day is about 19½ crores which rose in value to about 100 crores in the year 1920." This was an average. In 1920 a share of

the face-value of Rs. 100 of a mill in Bombay rose to Rs. 1,585. Inspired by these hopes of high dividends people had heavily subscribed for the shares of these newly floated concerns. As soon as the crash came their hopes were dashed to the ground. The crash came from all sides, and consequently the shareholders were unable to pay further calls. This demoralisation in the money market led to the cancellation of those new projects.

SECTION II

Nature and extent of competition between Imported Goods and those of Indian Manufacture

13. The loss of the Chinese market for yarn has not been sudden. Demand for the Indian yarn in the Chinese market has been steadily declining. During the boom period the demand from China had already ceased. But most of the countries manufacturing yarn and piece-goods were then engaged actively in the Great War and hence were not in a position to keep up their export trade. This afforded an opportunity to the Indian cotton industry to push their goods in the markets which were formerly in the hands of manufacturers of other countries. The home market also had been cleared of foreign competitors. The Union does not think that the heavy fall in the export of yarn to China since 1917 can be attributed to any considerable degree to foreign competition. It is sought to be made out that Japan is India's rival in the Chinese market and that the exports of yarn to China from India have suffered owing to Japanese competition. But from the figures given in Table 20-C attached to the Bombay Millowners' representation it is plain that Japanese exports of yarn to China have also decreased since 1918. This fall in the Japanese exports of yarn to China has also been pretty steady. The inference therefore may be safely drawn that China has been increasing its own output of yarn and thereby has been able to dispense with foreign yarn progressively. As regards the markets which were opened to Indian-made yarn and cloth during and just after the War, they were not retained by the Indian mills. The customers returned to their old manufacturers when the latter found themselves able to supply goods to their old markets. or it may have been that the Indian millowners still insisted on the same high rates while their competitors were satisfied with lower profits and were in a position to offer yarn and piece-goods of a better quality. The Union cannot say how far the scarcity and dearness of freight affected the exports of the Indian yarn to China. However, the Union can say that the expansion of the weaving industry was not one of the causes. On the other hand it can be said that the fall in exports of yarn to China led to the expansion of the weaving industry. When the demand for yarn from China dwindled the spinning industry ceased to be profitable and weaving sheds were added to a number of mills which were formerly only spinning mills. To turn out piece-goods was found to be more profitable than to turn out mere yarn. Also the number of looms in several mills was increased. From table 2, appended to the Bombay Mill-owners' representation, showing the progress of Indian cotton mills during the past fifty years, it will be seen that there has been a steady increase in the number of both spindles and looms. During the said period of fifty years the number of mills increased by seven times, the number of spindles increased also by nearly eight times, and the number of looms by nearly 17 times This rapid increase in the number of looms was due to the conversion of spinning mills into spinning and weaving mills and the extensions of weaving sheds in several weaving mills.

14. The present depression in the industry is, if at all, very slightly due to competition in regard to quantity and price of imported yarn and piece-goods from Japan and other countries. Though the Japanese imports are increasing the proportion of Japanese yarn and piece-goods imported in India to the total consumption of those goods is very small, which can be seen from the following :—

TABLE No. 1

The quantities of Imported Cotton Twist and Yarn and the quantities produced in the Indian Mills

1921-22		1922-23		1923-24		1924-25	
Imports	Production	Imports	Production	Imports	Production	Imports	Production
lbs. (1,000)	lbs. (1,000)	lbs. (1,000)	lbs. (1,000)	lbs. (1,000)	lbs. (1,000)	lbs. (1,000)	lbs. (1,000)
47,333	660,003	59,274	705,894	44,580	608,628	55,907	719,390

TABLE No. 2

Imports of Yarn in Rupees from various countries

Country of Origin	1923-24	1924-25
	Rs. (lakhs).	Rs. (lakhs).
United Kingdom	4,61	4,55
Netherlands	8	12
Italy	8	4
Switzerland	21	23
China	4	4
Japan	2,86	4,59
Other Countries	6	9
Total ..	7,94	9,66

TABLE No. 3

Percentage Shares of Principal Competitors in the total quantities of Imported Piece-goods

Countries of Consignment	1913-14	1922-23	1923-24	1924-25
United Kingdom	97·1	91·2	88·8	88·5
Japan	0·3	6·8	8·3	8·5
Holland	0·8	0·8	0·7	0·6
Italy	0·7	0·1	0·4	0·5
Switzerland	0·2	0·2	0·5	0·4
Other Countries	0·9	0·9	1·3	1·5
Total ..	100·0	100·0	100·0	100·0

The following extracts are taken from the Report on the Conditions and Prospects of British Trade in India, 1924-25 (compiled by H. M. Senior Trade Commissioner in India and Ceylon) from which also the above figures are taken.

"The advance in the total imports of over 11 million lbs. (of yarn) is accounted for by increased Japanese shipments of nearly 12 million lbs., and a corresponding reduction in the case of the United Kingdom of exactly 11 million lbs. Imports from Holland, and Switzerland are slightly higher, while those from Italy are reduced. Japan now secures the bulk of the imports of 40s and is competing keenly in the Madras market in the finer counts, including 60s."

The biggest imports of yarn in 1924-25 were in counts 31s to 40s., *i.e.*, lbs. 21,383,000 out of lbs. 55,907,000, the total of imports of cotton twist and yarn in that year.

"Although the spinning of counts above 40s increases steadily, the total output is still only 5,822,227 lbs. More than 40 per cent. of India's yarn production consists of counts from 20s to 24s inclusive."

"It is satisfactory to note that Lancashire secured the greater portion of the increase (in grey goods) of nearly 142 million yards and increased her percentage of yardage from 85 to 86 and her percentage of value from 83 to 84. The Japanese percentage decreased from nearly 14 to 13 in yardage and from nearly 16 to a little over 14 in value."

"Although Japanese shipments increased (in bleached goods) considerably, they are still only a fraction of the total, and the United Kingdom controls 95 per cent. of the trade in bleached goods. Even in the case of Dutch and Swiss competition, the grey cloth in many cases was woven in Lancashire and sent over to the continent to be bleached."

"The share (in coloured, printed and dyed goods) of the United Kingdom fell from 85 to 82 per cent. while that of Japan rose from 5 to 7 per cent., and Italy from 2½ to 3½ per cent. The steady advance in imports from Germany is noteworthy. Continental competition in dyed and printed goods and embroidered fabrics is becoming severe."

The millowners in India have not properly cultivated the home market. They have mainly depended on export trade. The profits of the Indian mills were the highest in 1920 when the export trade in yarn and piece-goods had also touched the highest watermark. This is borne out by the figures given in Table 20-B (India) appended to the Bombay millowners' representation. Thus it is clear that the present depression in the Indian cotton mill industry is due not so much to competition in the home market by Japan as to the fall in the exports of Indian yarn and piecegoods.

15. The tables with the two explanatory paragraphs taken from the Review of the Trade of India in 1924-25 and given in Appendix II will explain the position.

16. The Union is not in a position to supply the figure asked for in this question.

17. The Union does not believe that it is possible for Japan or any other country continuously to dump goods on the Indian market at prices which after deducting freight and incidental expenses would not cover their cost of production in the exporting country. If the costs of production are higher in this country than in Japan that fact may be due to a number of causes.

18. The Union has no information on this point. However, it does not believe that India has lost foreign market as a result of such competition as is described in this question. In this connection it must be borne in mind that Japan's geographical situation must help her in her export trade with China and Australia where India has little hope of competing successfully with Japan. As regards Kenya there has not been a considerable dimunition in Indian exports, which can be seen from the table given on page 34 of the Bombay millowners' representation.

19. The Union does not think that the competition of imported yarn of counts under 30s is a serious factor. The percentage of such imports may increase if the Indian mills do not improve their methods of working.

20. The Union accepts the figures given in this question.

21. The Union does not agree with the statement that 70 per cent. of the imports of piecegoods from Japan compete directly with the production of Indian mills. There the Union believes, no reliable data to justify the said statement.

22. The Union accepts the figure.

23. Not quite likely, but not impossible if the present methods of production in the Indian mills are not changed for the better. By "methods" the Union means everything connected with the working of the mills.

24. The answer to this question is partly covered by the one to Question 14. The competition between Japan and other countries seems likely to increase.

25. The fall in the Japanese exchange might have had some effect on the export trade of that country, but at the same time it must be borne in mind that Japan also imports raw cotton and many another raw material and the advantages in selling goods must be counterbalanced by the disadvantages in purchasing raw materials in India. The fall in exchange cannot be advantageous both ways. The exports to Japan are in excess of the imports from that country. The value of the Japanese imports of yarn and piece goods is outweighed by the value of exports of Indian cotton to Japan. As observed in the Report on the Conditions and Prospects of British Trade in India, compiled by H. M. Senior Trade Commissioner in India and Ceylon, Japan's takings of India cotton during 1924-25 attained the record figure of 343,000 tons valued at nearly Rs. 46 crores, so that in spite of the increased shipments of manufactures to India, the trade is still somewhat one-sided.

26 and 27. The Union is not in a position to answer these questions, which it thinks is for expert economists to answer.

28. To some extent, but not to the extent which is represented to be by the Bombay millowners. The Union does not think that Japanese labour is cheaper than Indian labour; the non-observance of the Washington Conventions by Japan has to some extent been offset, as has been claimed by the Japanese, by the facts that the Japanese millowners have provided for the training of their operatives, that the operatives are not discharged even during periods of depression without paying them wages for a year or so and that the Japanese millowners spend a good deal on their employees' welfare. Moreover, the percentage of literacy is enormously higher in Japan than in India. The Union considers that these facts require investigation.

29. The Union is not in a position to supply information on this point.

30. The Union has no information on this point.

31. To a great extent, is the Union's belief.

32. Merchants and some customers too say that there has been a marked improvement in the quality of piece-goods imported from Japan.

33. The Union cannot cite any specific instances. However, from the figures of Japanese imports it does not appear that there is any serious competition between Japanese piece-goods and home production of the same kind in the home market.

34. So far as the Union's observation and information go, there has been no marked preference on the part of the Indian consumers for finer qualities of cloth than those ordinarily produced in Indian mills; but it is just likely that finer quality accompanied by lower price should attract customers in an increasing degree. The Union also knows that there are a number of people in this country who go in for Swadeshi cloth disregarding a little difference in favour of foreign cloth in respect of quality and price.

Section III

Internal Competition

35. It is quite likely that the extension of mills and the establishment of new mills in the upcountry centres might have effected the prosperity of the industry in Bombay to some extent. In this connection the Union would like to point out to the Tariff Board that some of the Bombay millowners are concerned as agents or partners of agents in not a few of the mills in the upcountry centres, and *vice versa*.

36. The Bombay mills have advantages of having machinery, stores and other things required for the mill industry from foreign countries at less transport charges and also it is less expensive to the Bombay mills to export their yarn and piece-goods to foreign countries and to coastal districts in the home market. Moreover, the Bombay mills have a large market ready at their very doors, Bombay being a great business centre.

37. Though the Union cannot give an estimate of the relative advantages that the mills in Ahmedabad and upcountry centres have over mills in Bombay, it thinks that the advantages enumerated in this question are enjoyed by the upcountry mills to a more or less extent. In addition they have the further advantage of having cheaper and healthier labour owing to lower cost of living and better climatic conditions respectively. In this connexion the Union would like to point out to the Tariff Board that some of the grounds of complaint against the Japanese mills set forth by the Bombay millowners are also applicable to the upcountry mills, situate in the territories under the rule of the Indian States. Here the mills have the advantage of sweated labour over the Bombay mills. Practically there are no Factory Acts in many of the States and the mills can be worked for in ordinately long hours and female and juvenile labour can be used without restriction. The recent mill strikes in Central India have brought out the fact that the mills at Indore and other places in the Indian States are worked for fourteen hours per day with the same set of operatives. These labour conditions are horrible and ought to be remedied at an early date. These unfair advantages have tempted the Bombay millowners more and more to establish mills in the Indian States. The extension of mills and the establishment of new mills in the Indian States have contributed to the present debacle in the industry inasmuch as there has been overproduction in particular varieties, and also there may be consequently some internal competition among the Indian mills to the disadvantage of the Bombay mills.

38. The competition between handloom industry and mill industry is not considerable, these industries having their respective fields of specialisation, and each having special handicaps in the other fields. No doubt the hand-loom industry can successfully compete in its special field, *i.e.*, in turning out cloth requiring special skill or quite coarse cloth. The mill industry specialises in medium quality. The disadvantage of having heavy overhead charges in mill industry can only be offset by a large scale production which is not possible in cloth of certain kinds. The mill industry cannot compete with hand-loom industry in manufacturing *saries* and varieties of that sort or in turning out a few coarsest varieties like *panchas*, *pasodies*, etc., while hand-loom industry cannot successfully compete with mill industry in manufacturing long cloth, shirting, dhoties and to a great extent also coating cloth.

39. Figures conveying exact information on this point are not available.

SECTION IV

Mill Management

40. The Union does not think that the criterion laid down in the British Safeguarding of Industries Act is satisfied by the cotton mill industry in India.

41. The Union does think that the agency system is defective. The view generally held on the system will be found in Appendix III. Under the present agency system the interests of the agents are not so closely bound up with those of the other shareholders as they ought to be. A mill may be working at a loss (according to the balance-sheets submitted to the shareholders by the agents), but the agents may be getting commissions, overtly or covertly, in their capacity as suppliers of raw material and store, insurance agents, selling agents, etc., and carry on the mill for a number of years. Even during the boom period or to speak more correctly, about the end of the boom, when other mills were showing good profits a group of mills was working at a loss, so far as the balance sheets went, and the shares were at a discount in the market. Generally the shareholders' meetings are packed meetings having the majority of votes on the side of the agents. The agents generally hold a large number of shares themselves and are supported by such shareholders as are their friends, relatives and dependents (including their employees). Thus the other shareholders are, as a rule, helpless.

The Union is unable to suggest a substitute for the present agency system, at such a short notice.

However, the Union may suggest that the agency system be replaced by the system of direct management by the directors, and the workers be given a voice in the management in recognition of the principle of industrial democracy. Also, in order that the investing public may have a more effective voice than at present, a limit may be set to shares held by each individual or a limit may be set to the votes to which an individual shareholder is entitled.

42. Till recently the system of commission on production was common. Now, however, the Union understands that the other system of charging commission on profits has been introduced in some mills, the old system still prevailing in some mills. The system of charging commission on profits is preferable. But the reform recently introduced does not, the Union thinks, make the system wholly acceptable. When the commission is charged on production its rate is generally 7½ per cent. for spinning and 12 per cent. for weaving. In Table 8 the Bombay Millowners have omitted the figure of agents' commission in 1922. In 1923 and 1924 the agents numbering a few persons got commission amounting to Rs. 32,04,460 and Rs. 17,82,674 respectively, while the net loss to the mills amounted to Rs. 1,30,43,977 and Rs. 2,27,15,893 respectively. In these two years the shareholders also got Rs. 93,69,467 and Rs. 60,84,686 respectively as dividends, while the workmen ceased to receive their annual bonus. This table does not give figures of profits, dividends and the agents' commission, for the year 1920 and 1921. Some mills in these latter years paid 400 to 500 per cent. dividends.

As regards the Ahmedabad mills, the Union understands, most of them were charging till recently commission on production; but now they charge it on sale proceeds at the rate of 3½ per cent. Of course this system too is undesirable.

43. The managing agents receive, in addition to remuneration by commission on production or profit, an allowance for office expenses, as is plain from the Bombay millowners' tsatement on page 26 of their representation which refers to "Office salaries and general supervision charges." That the agents, at least some of them, receive commission on purchases of cotton, machinery, millstores, coal, liquid fuel, and on sales of cotton, yarn cloth, and on insurance and other things, has been published in newspapers by those who, are more or less intimately acquainted with the inner working of the agency system The Union has no information on the point whether a provision is made for a minimum commission irrespective of profits, where the commission is on the production basis. Perhaps by referring to the Articles of Association of the mills some light on this point may be thrown. The Union understands that agents get commissions on cotton purchases at the rate of Rs. 10,000 for every 400 looms; that they get 2½ per cent. commission on purchases of machinery, millstores and fuel; and the rate of commission on sales of yarn and cloth is 3 pies per lb. or 1 per cent. Also it is said that the mill agents pocket a portion of the rebate on insurance. The Board may inquire into this matter and ascertain facts.

44. Yes. Such association is common; and the Union is positively of the opinion that such association is detrimental to the interests of the industry.

Section V

Mill Finance

45. So far as the cotton mill industry is concerned the Union has reason to believe that at least some of the mills which are showing losses in their working are suffering from overcapitalisation which is mainly due to the change of hands in the boom period. It is likely, on the other hand, that there may be some mills which are suffering from under-capitalisation. Most of such mills distributed their profits in paying high dividends during the boom period and made no provision for rainy days. Besides, some of the mills may be finding themselves short of sufficient working capital owing to the accumulation of stocks which may be again the result of insisting on selling at particular prices, instead of trying to adjust the prices according to the purchasing power of the consumer. But to cut prices to suit the purchasing power of the consumer means more efficiency of and economy in the management of the mills. Unfortunately there has not been much improvement in the inefficient and wasteful methods of the Bombay millowners.

46. The extension of the old mills and the establishment of new ones might be responsible to some extent for the present depression, as they led to overproduction in particular varieties of cloth. But, if, by "replacements of the machinery" is meant replacement of old, worn-out, ricketty machinery, the Union does not think that it can be a cause of loss to any mill. On the other hand, it is the Union's belief that, if in the days of bumper profits, the mills working old machinery had used the profits, at least some portion of them for equipping themselves with new machinery of the latest pattern and turned their attention to manufacturing finer yarn and piece-goods, knowing that the boom was not likely to last for ever, the present depression would have been felt much less acutely, inasmuch as the cost of production would have been lowered and as there would have been less overproduction in particular varieties.

47. The Union does consider that there was an unduly liberal distribution of profits by mills between 1917 and 1923. The Bombay millowners have, it is worth noting, specially omitted to give figures in this behalf. The Tariff Board may call for this information, which it is easier for the millowners to supply. In the full dress debates held in the Legislative Assembly on 24th September 1924, on the motion of Sheth Kasturbhai Lalbhai recommending the abolishment of the cotton excise duty, the Honourable Sir Charles Innes, Member for Commerce, had touched this point. He said: "Between 1905 and 1914 (this is Mr. J. A. Wadia's statement), both years inclusive, the mill industry paid an average dividend of 10½ per cent. on an average capital of 6½ crores. In 1915 to 1922, both years inclusive, they paid an average dividend of 53 per cent. on an average capital of 12½ crores, and they paid away in the eight years ending 1922 a sum of over 50 crores in dividends." The sudden rise in dividends gave rise to speculation in shares and the sharemania was ultimately followed by an equally sharp reaction. Most of the mills used very little of the profits for the improvement of the industry and for providing against bad times, except perhaps that portion which was used for building up the equalisation of dividend funds. By the way it may be pointed out that those millowners who showed foresight in providing for the equalisation of dividends did not think it worth their while to build up similar funds for the equalisation of wages.

48 and 49. The Union has no information on these points.

50. The Union believes that the practice referred to in the question prevails in the case of some mills. Such practice is, of course, not sound.

51. The Union has no exact information on this point. It can, however, say that since the depression that followed the boom period, capital has become shy, the general public being afraid of investing their savings in industrial concerns. Now the people generally prefer safe investments in Government loans, postal cash certificates, etc.

52. The Union has no exact information on this point.

Section VI—Costs of Production

(a) General

53. The Union is unable to answer this question.

54. The Union is unable to give a definite reply to this question. However, it would like to state that the mere size of a mill need not come in the way of its economical and efficient working provided the necessary care is taken. A big size should be helpful in mass production. A smaller size may lessen the overhead charges and enable the management to turn out goods requiring more personal skill. Type and lay-out are also important factors. Old type mills are costlier so far as the cost of production is concerned

and also subject the workpeople to unnecessary discomforts and to more unhealthy atmosphere in the mill. If by "type" is meant the type of production, it may be stated that the production of Indian mills being limited to particular varieties is a potent cause of the congestion in stocks. A proper lay-out is conducive to saving of labour and time as it lessens movements inside the works. Also it is conducive to the health and comfort of the workers.

55. It is the Union's opinion that the efficiency of Indian mills is hampered to a considerable extent by the use of old machinery. There are mills in Bombay which are using 40 or 50 years' old machinery and these mills cannot reasonably be expected to pay their way in normal times, especially in the face of competition from foreign countries using new and up-to-date machinery. The use of old machinery considerably increases the cost of production. The badly equipped mills have to pay more wages than the better equipped mills, for the same quantity of production. In order to attract operatives these old mills have to offer higher rates to weavers and other piece-workers. Even with these higher rates the monthly earnings of the piece-workers in such mills are very poor. Furthermore, the use of old machinery is responsible for much of the waste of raw material and for inferior quality of production.

56. The Union is unable to submit such a statement.

57. The natural disadvantages are more than counterbalanced by the natural advantages. The disadvantages which are due to mismanagement, lack of organisation, lack of initiative, lack of sound business methods, etc., are remediable.

58. The reply to this question is covered by the replies given to questions 36 and 37.

59. The Union is not in a position to answer this question. It would, however, like to point out that the processes of humidification in some old fashioned mills cause much discomfort to the workers and on that account the workers have also to suffer in health. This impairs their efficiency. The officer, Mr. T. Maloney, now Secretary of the Bombay Millowners' Association, appointed by the Government of India to investigate conditions relating to humidification and ventilation, found that in some mills the humidification process caused unnecessary discomfort to the operatives. The high temperature in summer is also bound to have effect on production, unless measures are adopted to keep it down.

(b) Raw Material

60. So far as the Union's information goes, there are a number of middlemen in raw cotton supplied to Bombay mills and also there is much speculation, and even there have been attempts at cornering cotton, some millowners themselves having been concerned in these speculations and attempts at cornering. It is understood that most of the Bombay millowners purchase cotton for their mills not in the mofussil but in Bombay through their brokers. The upcountry mills purchase a portion of cotton required for their mills on the spot through their agents. Some of the millowners themselves being dealers in cotton find it easier to get profits and avoid losses in speculation by making the mills under their management to purchase cotton at high prices. They can adjust their sales in the accounts according to the tone of the market. Where millowners themselves are interested as sellers of cotton, it is invariably the case that the losses in speculation, when they do not amount to crores but to a few lakhs, have to be borne by the mills and that the profits find their way into the cotton dealers' pockets.

61. The Union believes that speculative purchases of spot cotton and speculation in cotton futures have contributed to the present depression in the cotton mill industry. Apart from the inevitably ultimate losses in speculation the spirit of gambling caused demoralisation in the money market and diverted the attention of the mill agents from their legitimate duties of looking to economic and efficient working of the mills under their management. The Union suggests that so far as possible the purchases of cotton should be direct and on a co-operative basis. If the mill agents will co-operate and adopt measures for the elimination of middlemen the spirit of speculation will be checked to some extent at least.

62. Yes. It is said that the Bombay millowners purchase cotton in the Bombay market at any price when they require it while the agents of the exporters purchase cotton locally by looking to the tone of the market. The upcountry mills find it convenient to purchase cotton through the ginning factories in their neighbourhood.

63. To some extent, the Union thinks.

(c) Labour

64. The Union does not accept the Bombay millowners' view. Also that view is not correct with regard to Ahmedabad and other upcountry centres. The wage bill of an average mill forms but about 1/10 portion of the whole cost of production, but the mi lowners' first thought is to cut wages in times of depression and they leave 9/10 portion nelarly untouched. Even supposing the wage bill to be about 1/7 of the total cost of production, it is still relatively small. " Wages " in the account books of the Bombay millowners means not only the wages of ordinary workmen and the jobbers and head jobbers but also the salaries of clerks and the supervising staff. The proportion of the wages r eceived by the ordinary workmen is, therefore, smaller than shown in the account books of the millowners under the head " wages ". In most of the mills the supervising staff is unnecessarily very large and is paid disproportionately high salaries. Some of the officers know very little of their work and some of the assistants are the agents' or their friends' relatives provided with fat jobs out of favouritism. If the wages have risen, prices of yarn and piecegoods also have risen. It is futile to talk about pre-war levels. The pre-war level of wages ought not to be taken as a criterion. One wrong does not make another wrong right. Mr. J. A. Wadia has admitted in his review of the Indian Textile Industry for the year 1922, in the columns of the " Times of India ", that labour had got very little compensation for the higher cost of living between 1904 and 1914. During the war when the prices of necessaries began to soar high the millowners were unwilling to increase wages in proportion to the cost of living, notwithstanding the huge profits they were making. Every time the mill-operatives made a demand for increase in wages, they had to go on strike and wrest the increase from the unwilling hands of the millowners. These prolonged strikes spelt privation and misery to the millworkers and their families. Moreover, the increase in the cost of living always outran the increase in wages. The wages of the Indian millworkers are at the most mere subsistence wages. Also it is not a fact that production has suffered to any appreciable degree owing to the reduction of daily hours of work from 12 to 10. The theory that the longer the hours the greater the output has been exploded long ago and it is really a pity that the millowners should trot it out so late in the day. As stated before, the restriction of working hours does not apply to the mills in the Indian States where they are worked for even fourteen hours per day.

65. The Union does not think that there was any unduly liberal distribution of bonuses to operatives between 1918 and 1923. The following figures of profits are quoted from Mr. J. A. Wadia's review of the textile industry for the year 1922 :—

Year	Profit Lakhs	Less commission Lakhs	Less depreciation Lakhs
1918	497	61·50	84·82
1919	1,306	131·0	86·37
1920	1,653	153·0	170·0
1921	1,539	140·0	177·0
1922	727	85·40	192·0

In the year 1922, according to the figures given by Mr. Wadia, wages including office establishments came to 8·19 crores. Mr. Wadia further says : " If you want to know what the actual workers received you will have to deduct about 12 per cent. which would represent clerical and supervising staffs at the mills and offices. In pre-war times the figure used to be about 9 per cent. of the total wages." The annual bonus to workmen consisted of a month's average earnings. The amount of bonus in 1922 was in proportion of less than 1/14 to the whole amount of wages including bonus paid in that year. Under the conditions making a workman entitled to bonus some were not qualified for that benefit. The mills were able to make the above profits after paying the annual bonuses to workmen. For the year 1921 the profits were 15·39 crores less, 1·40 crore commission, less 1·77 crore depreciation. Salaries and wages came to 7·82 crores. For the year 1920 the mills made profits amounting to 16·53 crores, which, less the amount representing commission and depreciation, came to 13·30, these net profits having been realised after paying wages amounting to 6·72 crores out of which about 51 lakhs only were paid as bonuses. Thus the amount paid as bonus in that year was about 1/27 of the net profits. The amount of bonuses paid to the clerical and supervising staffs is included in the above total amount of bonuses and in order to find out what the actual workmen received, about 12 per cent. must be deducted as it is the proportion in which the salaries

of the clerical and supervising staff stand to the total amount shown under the head of wages. Moreover, in this connection it must be remembered that while the operatives were paid one month's wages at the most as bonuses, in many of the mills, the members of the supervising staff received two or three months' salaries. The Union requests the Board to mark the proportionately higher increase in the salaries of the supervising staff. The figure of this amount rose from 9 to 12 per cent. of the total wages, as shown by Mr. Wadia. Also in this connection the Board should take into consideration the fact that in order to get the legitimate increase in their wages in proportion to the rise in the cost of living the operatives had to go on strike more than once and thereby suffer the loss of wages for some months during the bonus period. And if this loss is taken into consideration it will be found that the workmen got on the whole very little out of the bonus, over and above their wages. The millowners had withheld more from the workmen by refusing to recognise the rise in the cost of living than was paid by them in the form of bonus, the rise in the cost of living having always outrun the increase in wages. The Union, therefore, emphatically denies the fact that the present depression in the industry can in any way be attributed to the payment of bonuses to workmen, which was discontinued as soon as the boom period was over.

66. There is no ground to suppose that there has been any reduction in output owing to reduction in hours of work. Appendix III will convince the Board of the truth of this statement. The Union is unable to answer the latter part of the question.

67. This information can better be supplied by the millowners.

68 and 69. The same reply as to question 67.

70. Not to any considerable extent. This question is dealt with at some length in the Union's general statement in supplement to replies to the Questionnaire.

71. The Union is not in a position to supply details relating to the matters referred to in the question. It thinks that the present rate of absenteeism can be checked by granting annual bonuses to the workers, as well as by reducing the working hours. When such bonuses were paid, the conditions involved in the payment of bonuses had checked absenteeism to a considerable degree. In some mills the system of paying weekly bonuses, to spinners and other time-workers prevails, but it does not exercise sufficient attraction the amount being too small. In Mr. Addyman's Woollen Mills the (?) of absenteeism is only 3½ per cent. while in other Mills in Bombay, it is a little over 10 per cent. The Board may investigate the causes of the difference. Considering the long hours of work in India the proportion of absenteeism is not much greater than in other countries.

72. The efficiency of labour is not affected to any appreciable degree by the "badli" system. The "badlis" are not always inexperienced men. Most of them are such men as are unable to find a permanent job on return from their native places. Such men have to accept "badli" jobs till they are able to secure permanent ones. Also men who have lost their jobs have to accept "badli" in another mill. Very few of the "badlis" are men new to their jobs.

73. The rate of labour turnover in this country cannot be said to be exceptionally high.

74. So far as the mills in Bombay are concerned the Union does not think that they experience any difficulty with regard to labour supply. Even in days when the mills were in full swing the lack of labour supply was not felt. Of course the housing conditions in Bombay necessitate the periodical going out of the City of both men and women for recouping their health; and in the case of the latter also for confinement. Since the depression set in, not only labour supply has been full but there is much unemployment at present. It is not a question of continuity of labour supply but continuity of employment. The mill operatives themselves are not fond of change of employment. Though a few have to change their places of employment on account of change in residence and a few change their place of employment for the sake of better wages or prospects, the majority of them have to seek employment elsewhere owing to dismissals from service, such dismissals being as a rule quite arbitrary. Men and women are sacked on the flimsiest excuses by petty officials in the mills and the agents or even the managers generally do not interfere with these orders. Thus the workers have to suffer a great deal of injustice. The power of dismissal is frequently abused by the petty officials, the temptation of getting *dasturi* from new hands being very strong, especially in days of unemployment. The provision of long service bonuses and provident funds cannot be of any appreciable use until the present system of hiring and firing men ceases altogether. Men are willing to put in long service, but there is no stability of employment. Some mills have instituted provident funds for their employees, but, firstly, in some of those mills ordinary workmen and women are not allowed to

contribute to the provident fund, and secondly in the few cases where those funds are open to the ordinary workmen the latter are as a rule unwilling to take advantage of them, as they are afraid of losing their employment at any moment.

75. The number of chawls built by Bombay millowners for their operatives is very small. The Union has no means to ascertain the rate of return the millowners get on the capital invested in such housing. Certainly, improved housing conditions would result in the improvement in efficiency of labour. The Union, however, does not think that it is desirable in the interests of the workmen's freedom that the chawls occupied by them should be owned by the millowners. It is possible to provide decent housing at cheap rates of rent through the co-operation of the State, municipalities and the employers.

76. The Victoria Jubilee Technical Institute provides for the training of supervising staff. There are, however, no sufficient facilities for the training of the ordinary workers. The Social Service League, Bombay, has started a Textile Training School, but at present only night classes are held and from the number of students attending these classes, it appears that there are workmen who are desirous of getting a scientific training in the work they have to do in the mills. If the millowners will encourage this tendency by assuring the intending students of good prospects and by providing scholarships for maintenance for the day students, not only the present number of students attending the night classes will considerably increase but also the school will be able to open day clases. The School is under the supervision of a committee consisting of experts and so far the results have been satisfactory. At present there is no standard of qualification for the post of jobbers and head jobbers, and much jobbery goes on in making these appointments. These evils can be to a great extent remedied if the millowners will recognise the training course adopted in the school and will encourage such training in other suitable ways. By this not only the jobbers and the head-jobbers and also assistants in the departments will be better qualified for their posts but also the general level of efficiency among the rank and file will be considerably raised.

77. That the wages in the cotton textile industry are higher than those in any other industry in India, is not a fact. The millowners have not given facts and figures in support of their view. In 1921 (as given in the Report on an inquiry into the Wages and Hours of labour in the Cotton Mill Industry published by the Labour Office, Bombay, on page 10), over 46 per cent. earned between 0-4-0 and 1-3-0 per day. Surely these wages are not extravagant in view of the cost of living in Bombay. These wages cannot be even called living wages. Mr. G. Findlay Shirras in his Report on an Enquiry into Working Class Budgets in Bombay has compared the food consumed by the Bombay workman with the scales laid down in the Bombay Famine Relief Code and those for jail diets in Bombay, and has come to the conclusion that industrial workers consume the maximum of cereals allowed by the Famine Code but less than the diet prescribed in the Bombay Jail Manual (pages 20 and 21). A number of mill operatives get between Rs. 20 and Rs. 30 per month. In Bombay it is not at all possible to live on wages less than these, and therefore it is obvious that men and women of the same grade in skill do not receive less wages in other industries. Both the skilled and unskilled workers in cotton mills in Bombay do not get wages more than what is obtained by workers of the same grades in other industries. The increase in the real wages of all kinds of work-people employed in Bombay cotton mills in 1921 was 12 per cent., the increase in the real wages of women workers being only 4 per cent. In this connection the Union desires to point out that this increase is also fictitious, for the mill-operatives have now to pay more house-rent than in 1921, most of the old chawls having been since demolished. About the year 1921 the mill-workers on an average paid between Rs. 3 and Rs. 5 for a room, while at present they have to pay between Rs. 6 and Rs. 10 as some of the un-housed people have to live in the chawls built by the Development Department. Again, during the last year or two the rates of piecework have been reduced by hook or crook, and owing to that the earnings of pieceworkers have been reduced.

78. The Union does not think that there has been any marked change in the standard of living of mill operatives since the war, the rise in real wages being non-existent or insignificant. Even supposing there were a substantial increase in the real wages there would not have been improvement in the standard of living in corresponding proportion. Other circumstances, *viz.*, facilities for education, provision of decent housing and facilities for and encouragement of better utilization of leisure, to name some of them, must also be favourable.

79. The Union thinks that it is possible to reduce the costs in Indian mills by the introduction of automatic looms and other labour saving appliances, and it is likely that such reduction may not be counterbalanced by additional expenditure in other

directions. An experiment however may be tried after obtaining experience as to the success or failure of this kind of experiment in other countries.

80. The Union considers that there is a reasonable prospect of securing reduction in labour costs by training operatives to tend more spindles and looms. However, the Union desires to point out that the labour cost is not the only cost in production. If strict economy is not exercised in other items of cost of production, reduction in mere labour cost will not avail much. Also training alone will not enable the worker to tend more spindles or looms. The material also must be of the right kind. The Union does not think that there has been any considerable improvement in respect of the number of spindles and looms tended by Indian workmen. For this, however, the workmen are not responsible. The choice of material, machinery and methods is not in their hands. Also facilities for their training have not been provided. Improvement in such things cannot be a spontaneous growth.

81 and 82. Japan may find it cheaper to work mills by double shift, but also it may be said that Japanese mills can afford to work by double shift because there is a demand for Japanese yarn and piecegoods. The Union does not think that it would be in any way desirable for the Indian mills to work double shift. Firstly, labour would not be available in sufficient force if all the mills in Bombay, Ahmedabad and other centres decided to introduce double shift. Secondly, even if additional labour force were secured, provision of proper housing, which has already become a difficult problem, would be nearly impossible for such a large number of people. Thirdly, the experiment of working double shift was tried in some mills of Bombay during the boom period, but in most of the mills it was discontinued after a short trial. Fourthly, there is the obvious danger, should it be possible for a number of mills to use double shift, of there being a glut in the market, as already there is over-production in particular grades of yarn and piecegoods. The remedy is therefore likely to prove worse than the disease. Whatever the Bombay millowners may say with regard to over-production, it is an undeniable fact that there is over-production so far as production in particular grades of yarn and piecegoods is concerned. Nobody says that the Indian mills should not increase their production, but they must consider the various needs of the people in the matter of yarn and cloth. In trying to refute the charge of over-production the Bombay millowners have missed the real point at issue. No doubt there is plenty of room for expansion of the indigenous industry, as the Indian mills supply only half of the home requirements. But the other requirements are neglected by the millowners in India. The present kind of expansion of the Indian mill industry is one-sided and the Indian mills have therefore to depend upon export trade for disposing of the surplus goods.

83. The Union does not think that legislation in recent years has effected to any appreciable degree the cost of production. By "legislation" here the union understands the legislation in the interests of labour. As regards the Factories Act of 1922, the Union fully supports the explanation given in the letter, dated 26th March 1926 (paragraph 4), addressed by the Government of India to the Secretary, Bombay Millowners' Association, and desires to add that the provisions of the said Act have not rendered production in the Indian mills more expensive. Already by the Factories Act of 1911 the employment of males under 14 at night was prohibited in all factories and also the employment of women at night in all factories except cotton ginning and pressing factories was prohibited by the same Act. The demand for reduction in daily working hours from 12 to 10 by mill operatives was considered *fair* by the millowners themselves in their memorial to His Excellency the Viceroy in March 1920. Besides, the production has not been effected to any considerable extent by this reduction in working hours. The other pieces of labour legislation are quite inconsiderable from the cost of production point of view. The cost entailed by the Workmen's Compensation Act is so insignificant that in the balance sheets of most of the mills it is not shown separately; it is generally combined with the amount of fire insurance or the amounts of rates and taxes. Where it is separately shown it appears to be a mere flea-bite. A mill which purchased cotton worth about 15 lakhs of rupees, stores worth over 2¼ lakhs, and paid salaries and wages amounting to 5½ lakhs, paid about ¾ lakhs on interest account and about Rs. 21,000 on fire insurance account in 1924-25, had to spend only Rs. 1,314 on workmen's insurance account. This mill suffered a loss of over Rs. 2,12,000. Compare this loss with Rs. 1,314, the amount paid to workmen by way of compensation for industrial accidents, and it will be found that the saving of the paltry sum would have little effect on the cost of production or on the loss. An organised industry must be prepared to bear these expenses; otherwise it is not worth maintaining. Rather than admit their inefficiency, the millowners try to hold the Government and labour responsible for the present depression.

(d) *Overhead charges*

84. The Union is not in a position to supply these details.

85. Fire insurance is a considerable item in the expenses of a mill. This amount can, the Union thinks, be reduced, firstly, by revaluing the buildings and the machinery in the light of the present values thereof, secondly, by instituting a mutual insurance scheme, and, thirdly, by effecting dissociation of millowners in insurance business, it being a fact that some mill-agents also act as insurance agents and get commissions for themselves. The present methods of insurance are not satisfactory. It may also be suggested that the mills should build up their own insurance reserves and thus ultimately dispense with annual recurring charges.

86. The depreciation fund must be separately invested and utilized for replacing machinery and buildings when they are worn out and too old. Really speaking depreciation is a part of the cost of production, and the percentage must be such as will cover the expenditure of rebuilding the buildings and overhauling the machinery when they become unserviceable. The ordinary mill practice appears to be to set apart a portion of the profits for depreciation and not to count depreciation charges as part of the cost of production. Such practice, though not sound from the theoretical point of view, may be defended as more practical. However, the Union thinks that it will be defensible only if in the years of profits provision is made for the arrears on depreciation account before the dividends are distributed and the Union doubts whether in the past this claim of depreciation was adequately and consistently recognised.

87. So far as the Union's information goes there is no independent valuation at least in many of the mills. Auditors generally check certain figures and mostly rely upon certificates from mill agents.

88. The Union understands that the audit of mill accounts is an annual one.

(e) *Sales*

89, 90, 91 and 92. The Union has no information on these points.

(f) *Transport*

93, 94 and 95. The Union has no information on these points.

Section VII

Suggestions as to remedial measures

(a) Suggestions put forward by the Bombay Millowners' Association.

96. This is a question for the Government to consider. The Union is not in a position to say what difference in pies per pound of yarn or cloth would result, should the customs duty on machinery and mill-stores be abolished. The difference, in the Union's opinion, would be very slight. If the permanent interests of the industry are to be considered the country must produce its own machinery and mill-stores. If the said proposal is to be accepted a guarantee should be demanded from the millowners that prices would be proportionately reduced and the concession should be given for a limited period. Really speaking, such concessions are meant for nascent industries and not for established ones, which must be able to bear their legitimate burdens. There are ups and downs in every industry and those who direct the industries must provide for bad times during their prosperity. If the industries gamble away their profits and find themselves helpless in bad times, they must thank themselves for their plight.

97. The Union does not think that the Company super-tax should be abolished. If the mills are incurring losses, they will gain nothing by having the super-tax abolished and there is no reason why those mills who make profit should not pay the super-tax.

98. This is partially for the Municipality to consider. If the Municipality loses this source of income, the loss will have to be made good by tapping another source and it is doubtful whether this is possible in the present circumstances. The principle is the same as is involved in Question 96. As regards the Development Department to which a portion of this tax goes, the Union thinks that it has not done its duty properly and the mill operatives for whose benefit the tax was primarily imposed, have not received the intended benefit; and so long as the rental of the D. D. Chawls is not reduced to the amount within the reach of the mill workers, the Union is of the opinion that the continuance of the contribution is unjustifiable.

99. The Union is unable to make any suggestion, having no information on the point.

100. The Union has no information on this point. However, it has no objection if a reduction can be effected in the present rates of railway freight, without making the rate payer suffer for it.

101. The Union does not object to the suggestion being carried out.

102. The Union does not object to the suggestion. The Millowners' Association should also move in the matter.

103. The Government may give grants-in-aid of the efforts that may be made by the mill agents themselves for the furtherance of the industry.

104. The Union does not approve of the suggestion for imposing an additional import duty on foreign yarn and piecegoods. The millowners themselves have marked out only Japan for such imposition. The case of other countries need not, therefore, be considered. The Japanese competition is insignificant as has been shown elsewhere. The Japanese competition is in reality felt more in the export trade than in the home market. So, even supposing that the Japanese competition is unfair, the imposing of additional import duty on Japanese yarn and piecegoods would be no remedy against the present depression. The imposition of an extra import duty would be only vindictive and practically little helpful to the Indian cotton mill industry, as Japan will be still free to compete with India in foreign markets. Besides, Japan has already to pay 11 per cent. import duty on piecegoods. The Union thinks that in the majority of the Indian mills the management is inefficient and therefore it is not inclined to favour the proposal which amounts to putting a premium on inefficiency.

Further more, in this connection we draw the Boards' attention to the following extracts from the speech of the Hon. Sir Charles Innes, delivered in the Legislative Assembly on the 24th September 1924 :—"It is between 30s and 40s that the Indian production and foreign production begin to compete and, of course, beyond 40s most of the yarn used in India is imported yarn. But the millowners themselves, as Mr. Kasturbhai Lalbhai very properly pointed out, at any rate in their evidence before the Indian Fiscal Commission, did not ask for any protection for yarn. On the contrary, they rather objected to the imposition of any import duty on yarn, on the ground that it might handicap the handloom industry. It was put to them that they had to meet competition above 30s but they definitely went on to say that that was a question for the future and that as regards present Indian mills, many of them were not organised to produce counts of yarn above 30s."...."As regards yarn the Indian mills supply 93 per cent. of the yarn consumed in India, Japan is sending a relatively small amount of the coarser counts, and these imports require watching; but it is absurd to say that any general measure of protection is required. The imports come mainly from the United Kingdom and are of the finer counts. The millowners themselves pointed this out in their evidence before the Fiscal Commission and, so far from asking for any protection, rather objected to the imposition of a duty on yarn." The Union would like to point out that the concern displayed here by the millowners was not so much for the handloom industry as for their own industry, the fact being that some Indian mills use foreign yarn and they will be hit by an imposition of duty on such yarn.

If, however, after a searching inquiry into the labour conditions in Japan including wages, hours of work, etc., it is found that Japan is getting an advantage on account of the sweating of her workers, the Union would prefer the more drastic step of prohibiting the imports of sweated goods, till the labour conditions are brought at least up to the Indian standard. Prohibition of imports will temporarily cause some loss to the Indian consumers; but the remedy is sure to have its effect. Moreover, imports from other countries will continue and will check the rise in prices to some extent at least. Mere increase in import duties on Japanese or all goods may result only in loss to the Indian consumers. Japan may sweat her labour still more and give subsidies and carry on the competition with the result that although Indian consumers may suffer loss, the Indian industry may not gain.

105. The question, the Union thinks, does not arise in view of the reply given to Question 104.

106 and 107. The Union thinks that the imposition of the proposed protective duty would result in the increase in the price of not only the yarn and cloth on which the duty was imposed but also to some extent in the price of all yarn and cloth. The Japanese may try to make good a portion of the loss in respect of goods subjected to an extra import duty, by charging a little higher price for their goods in respect of which there is no competition. And in case all the Japanese imports are subjected to an additional import duty, the check exercised by them on the prices of Indian yarn and piecegoods will be gone and the Indian millowners will take advantage of that to increase the prices of their goods. This will naturally affect the cost of living of the middle and poor classes.

But after a short period the millowners in India will find themselves again in the same position in which they are to-day, as increased prices will lead to a reduction in consumption.

108. If at all, the competition will be in local areas ; there are certain areas in which the local mills especially the mills in Indian States are beating down the Bombay mills, and when the import duty on Japanese goods is increased there will be no change in the present position. Also such increased import duty would be no remedy against the congestion of stocks due to overproduction in particular varieties of goods.

109. Certainly no. The mill workers themselves are consumers of mill made and hand woven cloth.

110. The Union does not accept the view of the Bombay Millowners' Association The argument advanced by the Bombay millowners goes against themselves. What would they gain if the prices are not raised by an additional import duty ? Do the millowners deny that but for the 11 per cent. import duty the prices of cloth would have been lower than they are now and the consumption of foreign cloth would have been greater ?

111. The Union is of the opinion that an increase in the duty on imported yarn and cloth would act as a restriction on the consumption of both and, therefore, thinks that an increase in import duty would not be in the interests of the industry in the long run.

112. To some extent at least an increase in the duty on imported yarn and cloth must affect the position of Indian yarn and cloth in overseas market, in the manner indicated in the question.

113. The handloom industry is sure to be affected by an increase in the import duty on yarn. The Union fully concurs in the view expressed in paragraph 116 of Fiscal Commission's Report. It is a fact that the handloom industry has to face a severe competition from the mills in respect of coarser cloth and the imposition of an increased import duty on yarn may cripple the handloom weaving industry. Though the interests of the mill operatives are bound up with the interests of the mill industry to a great extent, the mill operatives, knowing personally, as they do, the evil effects of modern industrialism which is another name of capitalism, would be, the last persons to wish ill to the village and cottage industries. Even from a purely selfish point of view, the mill operatives wish that the handloom industry should not be killed or crippled. Should it be killed, the lot of the mill workers is sure to be worse than it is now, as the weavers and their families who will be thrown out of employment will seek employment in the mill industry and the present unemployment will be greatly intensified. The millowners will then take advantage of the law of demand and supply and offer less wages to the work people.

114 and 114A. As the Union is opposed to any such tariff on the grounds advanced in the course of these replies, it is not necessary to answer the present question.

115. The Union does not support this proposal. In this fashion there would be no end to demands for protection. A drastic reorganisation of the mill industry would, it is the Union's belief, solve all these questions.

(*b*) Other Suggestions

116. The Union is not at all in favour of an export duty on raw cotton. As admitted by the Bombay millowners in their representation to the Tariff Board, the cotton consumed in the mills of India is roughly equivalent to two-fifths only of the entire Indian cotton crop. Japan is the biggest customer for Indian cotton, outside India. Out of cotton worth Rs. 94,99,28,324 exported, cotton worth Rs. 47,47,41,491 was exported to Japan in 1925-26. According to the estimate made by the Bombay millowners themselves, about 9 million people obtain a livelihood from cotton-growing in India. Three-fifths of the cotton-growing population, *i.e.*, about 5·4 million people, are dependent on the demand for cotton from foreign countries. If a prohibitive duty were levied on the export of cotton, this large number of people will be hit hard. A severe drop in the export trade of raw cotton would affect (*a*) the income of cotton-growers, (*b*) the area under cotton and (*c*) the price of cotton in India. The nation would lose much more than what it would gain by this policy. The result would not also be beneficial to the Indian cotton mill industry. The consumption of cloth which has already considerably dwindled will be still more decreased as the agricultural population will have less money to spend on purchase of cloth, owing to the loss of the most important money crop. Thus, to impose a heavy export duty on raw cotton would be nothing short of a suicidal step. Here again the remedy would be much worse than the disease. That Japan would suffer much by a heavy export duty on raw cotton is also a delusion. The Union desires to draw the Board's attention to Table 19G appended to the Bombay Millowners' representation showing Japan's cotton consumption. This table shows that while the

imports of Indian cotton have been nearly stationary or even declining, the imports of raw cotton from China, Egypt and Korea are increasing by leaps and bounds. Since 1921 the imports of Chinese cotton in Japan have enormously increased :—

1921	5,695	bales
1922	7,724	,,
1923	48,444	,,
1924	110,418	,,

This means that Japan is relying more and more on China and other cotton producing countries and the threats of imposing heavy export duties on Indian cotton may lead Japan to tap sources of cotton in countries other than India. Also it is cheaper for Japan to secure cotton from China and Korea owing to less transport charges. It was published some time ago that Japan was trying to encourage cotton cultivation in Korea. This year there is every likelihood of Japan purchasing a lot of American cotton, there being an expectation of an exceptionally bumper crop of cotton in America this year. Perhaps even without an export duty, the cotton exports to Japan may become inconsiderable after a few years. The question, therefore, is whether India should take advantage of it so long as it is possible to do it or the policy of cutting the nose to spite the face should be adopted.

117. The answer to this question is covered by the one given to Question 116.

118. The Union is not in a position to suggest anything in this behalf.

119. Yes.

120. Such progress would certainly affect the industry favourably. However, to achieve such progress, the industry will have to be re-organised.

121. Yes. This will remedy the present over-production in particular varieties. The Union does not think that all mills are at present equipped for such specialisation. However, the necessary expenses in the equipment should be a profitable investment.

122. Yes. This too would help much to avoid congestion in stocks.

123. Yes.

124. The Unions is unable to give opinion in this matter.

125 and 126. An answer to this question has been covered by the answers given to other questions and also by the separate general statement submitted herewith for the Board's consideration.

ANNEXURE B

The present depression in the cotton mill industry has not affected all mills alike. Even mills under the same agency and in the same locality, which are practically next door neighbours to one another, do not show the same results during the same period. The following is a sample of this. It clearly shows that there are also factors other than mere depression, at work.

" The Times of India, " 12th August 1926

Company Meetings

(Fazulbhoy Mills, Limited)

The ordinary general meeting of the shareholders of the Fazulbhoy Mills, Ltd., was held on Wednesday afternoon in the office of the Company at Outram Road, Bombay, Mr. Jamsetji Ardaseer Wadia presiding. The report for the year ended 31st March 1926 showed a net profit of Rs. 4,48,837-0-7 including a balance of Rs. 7,817-2-8 brought forward from last year's account. Out of this a sum of Rs. 1,80,000, were utilised by the directors in paying an *ad interim* dividend of Rs. 25 per share and there remained a balance of Rs. 2,68,837-0-7 which the directors recommended for disposal as under:—For payment of a dividend of Rs. 25 per share free of income-tax, Rs. 1,80,000; and for depreciation on machinery and building Rs. 80,000, leaving a balance of Rs. 8,837-0-7 to be carried forward to the next year's account. The directors stated that the mill was closed from the 16th September to the 30th November 1925, on account of the mill-hands' strike and several weeks had elapsed before normal working was restored. Under these circumstances, the directors trusted that they would find the above result satisfactory.

(Pearl Mills, Limited)

The ordinary general meeting of the Pearl Mills, Limited, was held on Wednesday in the Company's office, Outram Road, Bombay, Mr. Jamsetjee Ardaseer Wadia presiding.

The directors' report for the year ending March 31, 1926, showed a net profit of Rs. 1,55,002-5-2 including the balance of Rs. 3,334-4-3 brought forward from the last account. The directors had utilised Rs. 95,856 in paying an *ad interim* dividend for the half year ending September 30, 1925, at Rs. 12 per share, leaving a balance of Rs. 59,146-5-2 which the directors recommended to be disposed of as follows :—

Depreciation account—	Rs.	a.	p.
Building .. .	15,000	0	0
Machinery	44,000	0	0
	59,000	0	0
To Carry forward ..	146	5	2
Total ..	59,146	5	2

The directors proposed to pay a dividend of Rs. 8 per share from the equalisation of dividend fund which stood at Rs. 69,952-7-4, absorbing Rs. 63,904 which would reduce the equalisation of dividend fund to Rs. 6,048-7-4.

(Ebrahimbhoy Pabaney Mills)

The ordinary general meeting of the Ebrahimbhoy Pabaney Mills Company, Limited, was held in the company's office, Outram Road, Bombay, on Wednesday, Mr. Jamsetjee Ardaseer Wadia presiding. The directors' report for the year ending March 31, 1926, showed a loss of Rs. 3,059-7-1 which after including the sum of Rs. 3,917-10-1, brought forward from the last account, left a credit balance of Rs. 858-2-5. Owing to the millhands' strike the mill was closed from September 16 to November 30, 1925, and normal working was resumed several weeks later. The yarn and cloth markets were also in a depressed state and on account of these adverse circumstances the Company was unable to show better result.

The report was adopted, retiring directors were re-elected and auditors were appointed.

(Currimbhoy Mills, Limited)

The ordinary general meeting of the shareholders of the Currimbhoy Mills Company, Limited, was held on Wednesday afternoon in the Company's office, at Outram Road, Mr. Jamsetji Ardaseer Wadia presiding.

The report for the year ended 31st March 1926, showed a loss of Rs. 3,07,291-0-10. The total loss had been written off from the Reserve Fund. The directors stated that owing to the millhands' strike their mill was closed from the 16th September to the 30th November 1925, and normal working was resumed several weeks later. The yarn and cloth markets were also in a depressed state, particularly the former, and the directors regretted that on account of these adverse circumstances, their company had shown the above loss.

The report was adopted.

ANNEXURE C

(a) A statement comparing by counts the quantities of imported cotton twist and yarn with the quantities produced in Indian mills

	1923-24		1924-25	
	Imports	Production	Imports	Production
	lbs. (1,000)	lbs. (1,000)	lbs. (1,000)	lbs. (1,000)
Cotton twist and yarn—				
Nos. 1 to 20	6,857	411,910	7,170	469,810
„ 21 to 25	473	124,601	477	154,672
„ 26 to 30	993	57,377	934	69,140
„ 31 to 40	19,807	19,667	27,687	19,368
Above No. 40	7,739	3,261	7,659	5,822
Grey and coloured two folds (doubles)	4,033	....	5,833	....

"Under imports, counts Nos. 31 to 40 showed the most important increase of about 8 million lbs. from 20 million lbs. to 28 million lbs. of which 19 million lbs. came from Japan and 6¼ million lbs. from the United Kingdom as compared with 10 and 8 million lbs., respectively, in the preceding year, while the production of these counts showed a small decrease from 19,667,000 lbs. to 19,368,000 lbs. The production of lower counts in the Indian mills showed noticeable increases in the year under review, counts Nos. 1 to 20 rising by 58 million lbs. from 412 to 470 million lbs. Nos. 21 to 25 by 30 million lbs. from 124½ to 154½ million lbs. and Nos. 26 to 30 by 12 million lbs. from 57 million lbs. to 69 million lbs. The imports of counts Nos. 1 to 20 also showed a small increase from 6,857,000 lbs. to 7,170,000 lbs. of which nearly 6 million lbs. came from Japan. The imports of counts above No. 40, of which over nine-tenths came from the United Kingdom, showed a small decrease while the production increased by 79 per cent. from 3¼ million lbs. to 5¾ million lbs.

"Japan considerably increased her supplies in the year under review from 20 million lbs. or 46 per cent. of the total quantity imported in the preceding year to 32 million lbs. or 57 per cent. of the imports in 1924-25. She had only 2 per cent. of the trade in 1913-14. She has formerly competed mostly with Indian mills in the lower counts of yarn. But of recent years she has turned more and more to the higher counts, leaving the low count trade to Indian mills and competing more with Lancashire in the finer yarns, a trade in which the Indian mills are also tending to compete more. The imports from United Kingdom fell from 21¾ million lbs. or 48 per cent. of the import trade to 20¼ million lbs. or 37 per cent. Switzerland increased her supplies from 982,000 lbs. to 1,097,000 lbs. China including Hong Kong from 208,000 lbs. to 400,000 lbs. and the Netherlands from 383,000 lbs. to 561,000 lbs. The sum total of imports and production was 775 million lbs. as compared with 662 million lbs. in 1923-24."

(*b*) *A statement comparing the lines of imported piece-goods with the production in Indian mills*

	1923-24 Million yds.		1924-25 Million yds.	
	Imports	Production	Imports	Production
	Yds.	Yds.	Yds.	Yds.
Grey and bleached piece-goods—				
Shirtings and long cloth ..	186·2	443·8	329·4	525·5
Chadars	....	58·0	....	61·0
Dhutis	478·3	399·2	558·8	458·4
T. cloth, domestic and sheetings.	60·7	68·1	39·4	77·7
Drills and jeans	20·2	55·0	23·7	77·2
Other sorts	23·8	173·6	29·1	182·0
Coloured printed or dyed ..	347·5	503·9	407·0	588·1

ANNEXURE D

The system of managing agencies is a peculiar characteristic of industrial organisation in Bombay. The agency companies, which do only managing work, are companies with a nominal capital, they stand between the directorate and the manager almost in the position of a managing director. Almost all the cotton mill concerns in Bombay and Ahmedabad, though nominally floated as joint stock companies, are under the complete control of one of these managing houses, some of which manage as many as a dozen different kinds of business. These houses undertake the management of business—whatever its nature—on payment of a commission.

How this system works may be explained. If a cotton mill is handed over for management to one of the managing agents, most of them would be in the position not only of managing it, but of sellers of raw material to it, contractors for stores, insurance agents, etc. As insurance agents, the managing agency will insure the plant, the material and the building of the company which they are managing, with their own firm. As purchasers of raw material they will buy it first for themselves and sell it to the company at a profit. As contractors of stores, they will supply the company with the necessary material. As distributors of manufactured goods,

they will buy the stuffs the company produces. Thus it often happens that while there is loss on paper for the company, the managing agency in its different capacities accumulates profits. The agents become richer and richer while the companies lose.

Besides this the managing agencies have all become practically hereditary. The nominal company which secures the agency is almost invariably a family concern and decends from father to son. The result is that the mill industry has passed in the course of two generations into the hands of men who have no knowledge of the business. Most of the leading agency houses in Bombay are now in the third generation. The agents themselves look upon the mills as their private property. Their association is officially called the Millowners' Association, though they are only firms to which the management of the companies is entrusted. It is this vicious system that holds the cotton industry of Bombay in its vice-like grip.

The system of managing agencies is being challenged to-day on the following grounds :—

1. That some agents charge commissions, not on profits made by the mills, but on the productions of the mills.
2. That the system of mill agencies does not allow the mills to institute proper sales organisation.
3. That certain agents trade in cotton or coal or stores, and some in all three, at the expense of the mills for which they are acting.
4. That direct and indirect bribery goes on to the tune of some lakhs of rupees annually in certain mills.
5. That most of the mill agents are absolutely ignorant of textiles and engineering.
6. That the main qualification for a mill-agent, as things are now, is not the ability to manage a mill but the holding of a large number of shares in that mill.
7. That some mill agents transfer to the accounts of their mills personal speculations which have turned out unremunerative.
8. That some mill agents have been known to pocket insurance rebates that should have been credited to the accounts of the mills.
9. That some managing agents send incorrect information about companies so as to secure larger or smaller dividends as may suit their purpose at particular periods.
10. That some mill agents have been known to weaken the financial position of certain mills in order that control over them can be secured more easily and cheaply.
11. That the auditing of mill accounts is unsatisfactory as the election and remuneration of the auditors rest with the managing agents.
12. That instead of the Board of Directors being elected by the share-holders, they are practically elected by the managing agents and consist of family connections and friends.

The Union desires to add that the above description of the agency system his based on the several allegations made against it in the press. Being only recently organised, it cannot claim to know all the inner working of the mill management and it has no data to prove the allegations. The object of placing this view before the Board is to bring to their notice the grave charges levelled against the system and to request them to enquire into them from sources which are competent to supply the Board with detailed information.

Annexure E

Annual Production of Yarn and Piece-goods in Bombay Mills

——	1918-19	1919-20	1920-21	1921-22	1922-23	1923-24	1924-25	1925-26
	(000) lbs.	(000) lbs.	(000) lbs.	(000) lbs.	(000) lbs.	(000) lbs.	(000) lbs.	(000) lbs.
Yarn spun	306,190	317,719	342,456	348,695	348,099	269,586	327,542	261,962
Woven Goods produced ..	177,433	195,412	185,601	207,381	196,145	194,206	220,392	199,659
Average number of hands employed	124,199	126,368	140,208	147,740	149,224	148,771	148,414	153,009

N.B.— In comparing the production with the number of operatives employed, several prolonged strikes and the working of some mills by double shift during the period covered by the statement should be taken into consideration.

Witness No. 52

THE BOMBAY TEXTILE LABOUR UNION

Oral Evidence recorded at Bombay on the 9th and 10th September 1926

The following gentlemen represented the Union :

Mr. N. M. Joshi, M.L.A.,
Mr. R. R. Bakhale, and
Mr. F. G. Ginwala.

Mr. S. K. Bole, one of the Vice-Presidents of the Union, appeared before the Board in his individual capacity and gave evidence alone with the Union's representatives.

President.—I think our best plan will be to take you through your replies to our questionnaire and then to examine you more generally on the points you raise in your covering letter. We should first like to know a little more about the Labour Union which you represent. I understand from the last issue of the Labour Gazette that the membership is about 8,940 ?

A. *Mr. Joshi.*—That is correct.

Q. You are the President, Mr. Joshi ?

A. I am the President. Mr. Bakhale is the General Secretary and Mr. Bole and Mr. Ginwala are two of the Vice-Presidents.

Q. 8,940 is a very small fraction of the total number of operatives in the cotton mills in Bombay ?

A. We admit it.

Q. From how many mills does your membership come ?

A. *Mr. Bakhale.*—From about fifty mills in Bombay. The number from some mills is very small.

Q. Have you got a list of the mills and the membership ?

A. I have got a tentative list.

Q. Does that show the number of members from each mill ?

A. Very approximately.

Q. We only want a rough idea. Will you put it in ?

A. *Mr. Joshi.*—If you like, we shall submit a list.

Q. It will be useful to have a list. When was the Labour Union started ?

A. *Mr. Bakhale.*—It was started on 1st January, 1926.

Q. So it has been in existence for less than a year ?

A. Yes.

Q. Was there no Union or other body representing labour before that ?

A. *Mr. Joshi.*—There were some bodies. Some organisations were in existence before this Labour organisation came into being. But after the last general strike we thought that we should make vigorous efforts to start one big organisation and the result was that we have got now an organisation which is bigger than any we had before and any that exist even to-day in this City.

Q. What are your exact relations with the Millowners' Association ?

A. They are not well-defined. We write letters to them and they are pleased to send replies to us sometimes. But I cannot say that the relations between the Bombay Millowners' Association and our Union are very definite.

Raja Hari Kishan Kaul.—Nor very cordial.?

A. I do not say they are not cordial.

President.—As far as we can gather from your representation, the Millowners' Association usually takes action on any representation you may make to them. Is that not so ?

A. Well, they send us replies.

Q. It would seem that they do take some sort of action. It may not be the action you desire, but in any case, they go into the matter and let you have a reply ?

A. I think so.

Q. I take it that you would agree that it is only natural that the relations between your Union and the Millowners' Association must continue somewhat indefinite until your organisation represents a very much larger proportion of labour in Bombay than it does at present.

A. That depends upon the nature of the work that we undertake or that we want to transact between the millowners and our Union. Supposing we want to make an agreement with the millowners on one side and the workers on the other, then they may not recognise our Union as representing the textile workers in the city. But supposing we send a representation on behalf of our members only, then certainly the relations need not be indefinite.

Q. Quite so, as regards your own membership. In that case you are in a very different position than you are when you are dealing with general questions affecting the whole of labour.

A. Even as regards general questions affecting labour, as long as there is no other organisation taking a different view, I do not see why the millowners should not accept our view, because we represent the largest number organised.

Q. But you only represent less than 1/15th ?

A. It is true. But that is the case, if I may say so, with almost every representative organisation in this country. We have got the legislatures which are recognised by Government for legislation. They are not better off than we are. That state of affairs will remain for a long time.

SECTION I

General

Q. We will now pass on to Section I of the questionnaire. I should like to know the grounds for your statement that in Ahmedabad there is practically no depression. That is not the view that the Ahmedabad millowners have put forward in their representation.

A. Before this Tariff Board was appointed, we did not hear so much about depression in Ahmedabad.

Q. I may say that your view coincides with that of most of the witnesses in Bombay. We shall doubtless hear a different version when we get to Ahmedabad. Where did you get your figures of profits for Ahmedabad ? You say that nearly all the mills made profits in 1925 ranging from 1 to 5½ lakhs of rupees.

A. *Mr. Bakhale.*—I had myself been to Ahmedabad and I made personal enquiries into the matter and I got this information from a very reliable source.

Q. It is based on personal enquiries made by you in Ahmedabad ?

A. Yes.

Q. In reply to Question 4, you say that the price of raw cotton has not much to do with the losses that are shown to be suffered by some mills. Would you not consider that the margin of price between cotton and cloth must be a very important factor ?

A. *Mr. Joshi.*—Well, it is a factor, but it is a factor common to all mills. If some mills are making profits and some losses with the price of cotton at a particular level, it is clear that the losses of a particular mill or the profits of a particular mill do not depend upon the price of cotton. There is some other factor.

Q. But might that not be due to the fact that some mills were more fortunate than others in buying cotton at the right time ?

A. So really it means that the losses are not due to the price of cotton. Losses are due to the fact that care was not taken in purchasing cotton at the right time. Certainly the price of cotton will affect the price of production.

Q. It is bound to do that.

A. Yes.

Q. In answer to Question 5, you say that the answer is covered by the answer to Question 1. But in that question you merely refer to profits in 1925 and what we are concerned with is the position in 1926. Do you consider that the position has altered since 1925 and that the mills are better or worse off to-day than they were then ?

A. We have no definite information about all the mills for this year. The only thing I can say is that recently I have seen reports of some mills published in the press during the last two months.

Q. Those figures were for last year.

A. We have no definite information about this year.

Q. That is what I wanted to know, whether you have any definite information or whether your reply was based merely on a general impression in regard to the present situation.

A. We have no definite information on the point, because the reports are not published. The only information we can get is from the reports that are published.

Q. In your answer to Question 7, you say that the cotton prices fluctuate violently mainly owing to speculation in which some of the millowners themselves indulge. Can you give any specific instance of the millowners' speculation or are you merely going on what you hear ?

A. None of us is in the business, but still we hear of some millowners having practically ruined themselves on account of cotton speculation. These examples are well known in Bombay. I cannot tell you any definite names here.

Q. I do not want instances of that nature. The point is, you consider that the speculation of certain people has affected the mills themselves ?

A. A large number of millowners deal also in cotton. The presumption is that their activities as dealers in cotton will affect the mills. That is the presumption. They will have to prove the negative.

Q. It is not the presumption that a millowner who speculates in cotton and loses passes his losses on to the mills. That seems to be what you say in your reply to Question 60. You say "where millowners themselves are interested as sellers of cotton it is invariably the case that the losses in speculation have to be borne by the mills."

A. That is the impression we gather.

Q. But you are making a very serious charge against the honesty of the millowners. It would be well either to substantiate or withdraw it. That is a very definite charge of dishonesty—"where millowners themselves are interested as sellers of cotton, it is invariably the case that the losses in speculation have to be borne by the mills and that the profits find their way into the cotton dealers' pockets."

A I admit it is rather a more sweeping assertion than we ought to have made.

Q. Yes. In an enquiry of this nature what we have to find out from you as well as from the Millowners themselves is facts. What we have done in the case of the Millowners is to ask them to produce specific facts. I think you will understand, Mr. Joshi, that we are not in a position to investigate statements of that kind. We have only a very limited time in front of us and we cannot examine the books of eighty-two mills in Bombay in order to find out how far statements of this kind are justified. If definite instances are given, we can then go into them.

A. I can very well realise your difficulties. But our difficulty is greater than yours in actually pointing out to you the instances of certain cases happening in mills. If anybody can find them out, it is the Tariff Board and not we. It may take you some time : but it is possible for you to ask the people to show you the books and they will have to show them.

Q. It would be necessary to have a trained accountant working for several months.

A. But still the fact is that you can get the information ; but we cannot.

Q. I must repeat that we are not in a position to take action on allegations of this kind unless some more definite indication is forthcoming than has been given in your statement.

A. We cannot give specific instances.

Q. We will pass on to Question 8. You consider there has been considerable over-production in particular varieties. That is an interesting statement to us. Would you tell us in which varieties there has been over-production ?

A. I cannot name the particular varieties just now. If the Board wants, I will send the information later on.

Q. We should like to have your views or general impression as to the sorts of cloth in which there has been over-production.

A. *Mr. Bakhale.*—We have made the statement on the fact that the yarn and also a considerable amount of piece-goods is not produced in India and at the same time there are large stocks of yarn as well as of piece-goods in India at present. Naturally the inference is, there must be some particular varieties in which there is over-production.

Q. We should like to know in which varieties turned out by the Indian mills you consider there is over-production. Have you any acquaintance with the technical side of the mill industry ?

A. *Mr. N. M. Joshi.*—No. That is a disadvantage. We have stated in our statement that none of us is acquainted with the mill industry on the technical side of it.

Q. It seems rather unfortunate from your own point of view and must handicap you in dealing with those who know all about it.

A. Yes.

Q. In regard to your answer to Question 9, have you verified Sir Victor Sassoon's figures at all or do you merely take them as he gave them ? Because the figures I worked out here show that the consumption of piece-goods in 1914 reached a figure of 13⅛ yards per head. He says 12½ yards, and I get a little over 13. He says there is a drop to 7½ yards, but as far as I can make out, it was 11 yards in 1924-25.

A. We are not in a position to verify the figures.

Q. I only wanted to know whether you merely accepted his figures or worked them out yourselves.

A. We have accepted his figures.

Q. Then you say that in your view the present depression in the industry can be attributed to lack of organisation amongst the millowners. In what respect do you consider there has been lack of organisation ?

A. In several respects, as we have pointed out. In the matter of purchasing cotton, they can do something in organisation by purchasing it by co-operative methods and they can procure markets by organisation. In the internal organisation itself we think there is a great deal of scope for improvement.

Q. When you are talking of lack of organisation amongst the millowners, are you referring to the internal organisation of individual mills or a general combination ?

A. A general combination for the purchases they make and for the sales and in the matter of improvement in the quality of yarn and cloth. They can do a great deal by research w. rk also. I remember to have read recently that Lancashire spends at least a few lakhs of rupees for research work. They are doing nothing here in that line.

Q. I do not think that is our information. Our information is that there is no combination of the Lancashire millowners for research work. What research work has been done has been done by individuals. If you could lay your hand on any statement to the effect that the Lancashire mills have an organisation for research work, we should be glad to have it.

A. I have not got it here. I will send it to you later on.

Q. There is, I know, a vague general feeling that the millowners might organise better, but it is a little difficult to see how an organisation for purchase of cotton could be successfully worked. Have you given any thought to that aspect of the case ?

A. We have heard what the Japan Cotton Spinners' Association do. We have been told they are more organised. They purchase cotton and use their organisation for several other purposes.

Q. As far as I can make out, they do not seem to have any special organisation for the purchase of cotton. They buy their cotton through three or four big importing houses, which can hardly be called an organisation of the Cotton Spinners' Association for purchase.

A. *Mr. Ginwala.*—So far as the mofussil is concerned, you find that very few Bombay millowners send out their agents to buy cotton. On the other hand, the Japanese Associations' members come in contact with the Japanese agents. So far as the Bombay millowners are concerned, we have induced them to take the best stuff. But they refuse to send their agents, while the Japanese are there in the midst of the markets and take the cheapest and best stuff and the Bombay people neglect, with the result that mills cannot make profits. To that extent they can organise, by sending out their agents to the market itself which they won't do.

Q. That is a question of organisation of each mill. It is not a question of the general organisation of the millowners. That is a question we shall come to later on when we reach the section in regard to the raw material. The point we are now on is the possibility of the millowners combining to make purchases upcountry.

A. Still if they combine they will be able to buy cotton cheaper than if there is competition among them.

Q. Yes ; but would it be better for the cotton grower if they do it ?

A. No. But so far as the manufacturer is concerned, he had to look to his own interest, whether by doing this he will not bring down the price of cloth.

Q. You make another rather general statement in reply to Question 12. You say, "The mills which had to close down or go into liquidation had to do so on account of gross mismanagement, exceptionally bad equipment or litigation."

A. *Mr. Joshi.*—That is a matter for enquiry whether those mills that have gone into liquidation have done so on account of the general depression in trade or for some other reasons.

Q. Quite so. But would it not have been better if you had said that it is a matter for enquiry ? If you make a definite statement of that kind we naturally presume that you are prepared to say which of these mills have gone into liquidation through bad management, which through litigation and which through exceptionally bad equipment.

A. We have the example of a mill now. If you like we would give the name.

(The name was written down on a piece of paper and handed over to the President.)

Q. In which class does this come ? Was it mismanagement ?

A. Yes , that is our information.

Q. Which are the cases of exceptionally bad equipment ?

A. *Mr. Bole.*—We are not in a position to give you specific instances.

Q. Litigation ?
A. In this mill itself there is litigation.

A. *Mr. Ginwala.*—Then there is the Tata Mills. They bought the Bombay United Mills for one crore and odd rupees. What business had this mill to go and purchase a mill for one crore and sixty thousand rupees and pay seven lakhs for brokerage ? They wanted to sell the land for one crore and twenty lakhs. It is a question of gross mismanagement. What business had they to do it ?

Q. That is not the only case in Bombay in which hopes have not been fulfilled.
A. It is not their business to do it. If they wanted they could have purchased machinery by other methods. There are other instances also.

Q. We want to know what the other instances are, Mr. Ginwala. We cannot judge the whole industry from what you admit yourself is a very outstanding case.
A. We will supply them. I know two or three instances.

A. *Mr. Joshi.*—We heard of a mill which has gone into the Japanese hands. That case may be examined. It was purchased at a very high price.

Q. There had been these instances undoubtedly. But the point on which we are seeking information is whether they can be considered general. There are 82 mills in Bombay and even if you could bring forward half a dozen instances, you cannot castigate the whole industry on that. These instances refer to mills which have closed down and gone into liquidation.
A. *Mr. Ginwala.*—There is the case of the Poona Mills.

Q. *Mr. Majmudar.*—That was a case of bad judgment only.
A. *Mr. Joshi.*—There are litigation and quarrels coming in.

Q. *Mr. Subba Rao.*—Is it your inference or are you sure about them ? Is your statement based on actual facts or do you presume that failure has been due to the causes you mentioned.
A. *Mr. Ginwala.*—I do not presume. But we have some knowledge. I know a man connected with another mill.

Q. *President.*—Are you a student of economics, Mr. Joshi ?
A. Not a very great student of economics, but I have read something of economics. I cannot claim to be a student except as it concerns my work.

Q. The question I want to put to you is whether you would say that at present the position in Bombay presents the usual features of a trade depression, whether what is happening now is what invariably happens after there has been a boom. A certain number of mills which were doing quite well in the boom period had their weaknesses revealed after the boom and the result is that they have changed hands or closed down or gone into liquidation. However if you have not studied the literature on the cycles of depression, it is not much use going into the point. You refer to Mr. J. A. Wadia's review which says ' Our paid up capital to-day is about 19½ crores which rose in value to about 100 crores in the year 1920.' I suppose what he means there is that that was the market value of the shares.
A. Yes.

Q. *Raja Hari Kishan Kaul.*—I should like to ask you a question as regards this depression. Your answer to Question 1 implies that there is a depression. What do you understand by it ?
A. There is a depression because people are unable to purchase cloth.

Q. Depression concerning the mills ?
A. Yes ; the cloth is not sold.

Q. That is, they are not able to work at a reasonable profit ?
A. Yes ; some are not able to work at a reasonable profit.

Q. I believe you realise that the depression is general in Bombay. The presen depression is mainly confined to Bombay, you say. Do you think it is confined to a certain number of mills in Bombay or do you think it is general in Bombay ?
A. It is true in the case of some mills in Bombay. Because others are making a profit. But the number of mills that lose is small in Bombay.

Q. Therefore you think that depression is not general in Bombay ?
A. It is felt by all the mills equally. But it is general in this sense that the demand for commodities is less not only in India but all over the world.

Q. But the effect of it on the mills is that they are either not making profits or are making less profits than they used to do some time ago ?
A. They make less profits.

Q. That is what you understand by depression ?
A. Yes.

Q. In answer to Question 8, you say "the prices of cotton goods have not kept pace with the fall in the price of raw cotton and that of other commodities." Is not the increase in wages one of the causes why the price of cloth has not fallen quite as much as the price of raw cotton ?
A. No, I do not think so.

Q. That is what we have been told, that this increase in the cost of production is the main factor which prevents the price of cloth falling as rapidly as the price of raw cotton.
A. That is not our view. Our view is that if the wages are lowered you will not get the benefit, but on the contrary you will lose. If you increase the wages, you get better efficiency and better production.

Q. By merely raising the wages ?
A. Raising the wages means a better standard of life. You may require more training and several other things.

Q. In the price of cloth, the principal factors are the cost of raw material and the cost of production. If one of those two factors has risen or remained at the same level, while the other factor has fallen, the fall in the price of that factor which has fallen must be greater than the fall in the price of cloth which is composed of the two factors. Is it not so ?
A. Arithmetically that is correct. But our view is that if the wages are increased, the production will be better proportionately.

Q. In quality or in quantity ?
A. Both.

Q. That is your view ? Is it based on actual experience or on figures ?
A. That is our actual experience. Each individual knows that.

Q. I mean the mill production. Is your view based upon actual experience of mill production ?
A. You can see that if you compare English production and English wages with our production and our wages.

Q. That is very different. The better way to compare is to see if any increase in wages has led to increase in efficiency or an increase in the quality and quantity of outturn.
A. It is not very easy to prove by figures. If you increase the wages, the effect will be seen gradually.

Mr. Ginwala.—Wages form only 1/10th of the cost of production.
Q. *President.*—That is a question which I should like to go into with you in detail later on, Mr. Ginwala.

Q. *Raja Hari Kishan Kaul.*—As regards overproduction, is there not overproduction in certain types which are more in demand ? There are certain types which have been in demand. Is the overproduction which you allege in those very types ?
A. *Mr. Joshi.*—There won't be stocks lying idle. There won't be overproduction in those varieties.

Q. It may be possible that the demand for quality A is 100 yards, and the demand for all the others is only 75, so that the demand for A is larger. The production in quality A, let us say, is 150 yards, so there may be overproduction in quality A.
A. We come to the conclusion from the facts that there are stocks lying idle.

Q. You are not able to go into details ?
A. No.

Q. *Mr. Majmudar.*—In reply to Question 1, you have given market quotations of various mills in support of the statement that all the mills in the same centre are not affected alike. But you will admit that the market quotations for the shares depend on various factors, not only on the profits that they are making this year or the profits they made last year. Therefore the market quotations are no guide to ascertain whether the mills are making profits or not.
A. It is some guide to say that the mills are pulling on in the present circumstances.

Q. It may be that some mills have got big reserves and therefore they are able to pay dividends out of the reserve and high quotations are maintained.
A. You have to take the existence of reserves into consideration.

Q. But it does not mean that at present the mills are making profits.
A. If you say that at a given moment a mill is making profits or not, that cannot be seen from the statement. But when we are thinking of the position of an industry we

are not concerned whether on a particular day in a particular month the industry is making profit or not. We are concerned with the general position of the industry.

Q. That means that the people have confidence in these mills and therefore the prices are maintained.
A. That is to be taken as a sign of sound management.

Q. It does not mean that the mills are working at a profit. The one has no connection with the other. That is what I want to point out.
A. What you say may be true at that particular moment.

Q. We are talking of the present conditions.
A. Under the present conditions if mills can build up reserves to give dividends even in bad times that means it is a normal position for that mill.

Q. Distribution of dividends is a different matter and depends on the reserves built up during the boom years or during the previous years. What we are looking at now is the condition of the mill industry at present, whether the mill industry at present is able to make both ends meet or whether the mill industry as a whole is making a loss or is making profits. That is what we are trying to find out and the market quotations are no guide to the solution of that question.
A. If you say that the past history of these mills should be wiped out, then certainly the figures may not be a guide. I will take one or two instances just to show whether past history can be any guide in the matter of quotations. Take E. D. Sassoons United Mills. The shares are quoted at 14 annas. Why should they be quoted at 14 annas or at any price at all looking to the past history ?
A. I do not know the history of these.

Q. That is what I say, that in the matter of quotations there are various factors that come into play. It may be, as you know, that, in the case of certain shares, they are held by certain groups and therefore the prices are kept up. In the case of other mills there may be other circumstances. So, what I want to draw your attention to is that market quotations, as such, are not a sufficient guide to the solution of this question as to whether mills are making a profit or not.
A. That may be. We have given these figures just to give you an indication. We did not find any better indication.

Q. *President.*—Your point of view is that these figures show the confidence of Bombay in the future of the mill industry ?
A. Yes.

Q. *Mr. Majmudar.*—As you are referring to the question of continual overproduction in particular varieties, may I know if you have made enquiries of the workmen as to whether they are producing particular sorts in greater quantities ? You must have consulted some of the workmen ?
A. Yes, as a matter of fact our impressions are formed by our talks with them ; but they cannot give us exact information. Still, the impressions that we gather are formed by our talks with them.

Q. It is from that impression that you say that there is considerable overproduction in particular varieties ?
A. Yes, they are the only sources that we have.

Q. Have you heard complaints from the workmen about retrenchment due to stoppage of machinery ?
A. Yes.

Q. To what extent did you hear those complaints ? What percentage of machinery is stopped by the mills ?
A. We cannot say. We cannot get any definite statement.

Q. You have heard that the mills are stopping machinery ?
A. Yes.

A. *Mr. Bakhale.*—We have heard that of one or two mills in Bombay, so far as our union is concerned.
A. *Mr. N. M. Joshi.*—We have heard about retrenchment.

Q. I am not talking about retrenchment of labour but I am talking of stoppage of machinery and discharge of men.
A. *Mr. Bakhale.*—I have heard that the particular mill which I mentioned just now stopped their machinery for some time and they began it again.

Q. In the case of other mills ?
A. I have got no other information. When the machinery was stopped, they came to me and complained. Further information I could not get.

A. *Mr. Joshi.*—These cases vary. Sometimes we receive a complaint that if formerly 50 people were engaged for a work, now for the same work they have 40 men. The millowners wanted to reduce the wages. They did not succeed. So they are trying to get the thing done in other ways.

Q. They are trying to increase the efficiency of the Indian labour ?
A. For increasing the efficiency they could have taken some other steps.

Q. If four people can do the work which five men did before, that means that Indian labour is increasing in efficiency ?
A. They should increase wages also in that case.
A. *Mr. Bakhale.*—Simply by dismissing one man, they are not increasing efficiency.

Q. However, I am referring to the people who are discharged due to stoppage of machinery ?
A. *Mr. Joshi.*—Some machinery is stopped. They will begin again. I have seen mills giving notice of stopping the whole mill in order to get their rates changed. Notice was given that the mill would stop working on such and such a day. It was a kind of notice for discharging men, and they tried to negotiate lower rates. The object was not to close the mill; the object was to negotiate lower rates. Of course the public do not know it. The public only know that it was a notice of stopping the mill.

Q. Yes, these matters were reported at the time of the strike.
A. *Mr. Bakhale.*—Even after the strike.

Q. I am particularly referring to stocks for which the demand has ceased and am inquiring if the mills were obliged to stop the machinery.
A. *Mr. Joshi.*—It is difficult to say. We have heard of retrenchments, men being dismissed for retrenchment. I do not know whether the particular machinery has been lying idle or not.

Q. When were you in Ahmedabad ?
A. *Mr. Bakhale.*—About a fortnight ago.

Q. And at that time you heard that the Ahmedabad mills were not making losses ?
A. Yes.

Section II

Nature and extent of competition between imported goods and those of Indian manufacture

President.—We now come to Section II. There is one point I should like to raise with you in regard to your answer to Question 13 where you say that when the demand for yarn from China dwindled the spinning industry ceased to be profitable and to turn out piecegoods was found to be more profitable than to turn out more yarn. Are you quite sure that this is the case ? Might it not have been possible that the expansion of the weaving industry led to diminution of the exports of yarn to China ?
A. *Mr. Ginwala.*—That is not so. I myself enquired from a mill manager and he has got to admit that the chief reason for diversion of this was not that. The chief cause was that he used to make more profits in weaving than in spinning.

Q. In the boom period the mills made more in weaving than in spinning and therefore they neglected yarn ?
A. The yarn trade was deliberately given up by the Bombay millowners.

Q. That is not what you state in your written statement. You say that the spinning industry ceased to be profitable.
A. That is also one of the causes.

Q. Now you put forward the view which seems to be borne out to a very large extent by the figures that the mills found weaving more profitable than exporting yarn to China. The question is which came first. One view is that the yarn trade to China dwindled and therefore the mills turned to weaving. The other view is that they turned to weaving and therefore the yarn trade to China dwindled. The question is which came first. You now take the opposite view to that in the reply given in your printed answers ?
A. It cannot be gainsaid that the yarn trade was captured by the Japanese and Chinese. If you look to the figures of manufacture by Japan you will find that yarn production has considerably increased there.

Q. Quite so. We know that.
A. It was one of the main causes.

Q. But the point on which you have expressed an opinion and on which I have been questioning you is whether the yarn trade to China generally dwindled to a certain extent owing to the fact that weaving was more profitable.....

A. Owing to the fact that mills here preferred to weave, and now when you want the yarn trade to China, it is gone. Both causes are working.

Q. They are rather antagonistic in a way. Then you say "Thus it is clear that the present depression in the Indian cotton mill industry is due not so much to competition in the home market by Japan as to the fall in the exports of Indian yarn and piecegoods". There has undoubtedly been a very considerable fall in the Indian exports of yarn, but can you hold there has been a fall in the Indian exports of piecegoods? They have been on the contrary steadily going up. If you look at the figures furnished by the mill-owners in their statement you will see they are very considerably more than they used to be before the war. You will find the exports of Indian piecegoods from India in Table 16. Last year they were higher than they have been since 1920. My point is, do you consider that your statement that there has been a fall in the exports of Indian piecegoods is correct in the light of these figures?

A. *Mr. N. M. Joshi.*—No.

Q. It requires modification?

A. Yes.

Q. I do not think you quite understood our Question 15. What we wanted to know was what kinds of imported yarn and lines of imported piecegoods compete directly with the Indian production. That is rather a technical question. You have given it a very general meaning in your statement comparing the lines of imported piecegoods with the production in the Indian mills. What we wanted to know is what special lines compete?

A. *Mr. Ginwala.*—So far as piecegoods are concerned they are sheetings?

Q. Sheetings and shirtings.

In your answer to Question 17 you say "the Union does not believe that it is possible for Japan or any other country continuously to dump goods on the Indian market." It all depends on what you mean by "continuously". Would you agree that the process can go on for quite a long time?

A. *Mr. Joshi.*—No country can afford to dump goods at a loss to itself for a very long time.

Q. Not for a very long time, but it may go on for quite a good while?

A. That depends upon the view the people of that country take or the sacrifice they are prepared to make.

Q. It might be argued that the loss on goods sold in India might be more than made up by the profits made in the home country?

A. That means sacrifices made by Japan. The money does not come from India.

Q. Coming to Questions 20, 21 and 22, I do not quite understand why you should accept the figure in two cases and not accept the figure in one case. You say in answer to Question 21 that there are, you believe, no reliable data to justify the said statement. Still you accept the data in regard to the two Questions 20 and 22. In Question 20, you accept the figure as regards competition from the United Kingdom, and you accept the figure in Question 22 as regards competition from countries other than the United Kingdom and Japan, and yet you do not accept the figure of 70 per cent. as regards the competition of Japan with Indian mills. Is not that a little inconsistent?

A. It is only a general impression. I cannot say why. I cannot give you figures.

Q. That is exactly my point. There are as a matter of fact, Mr. Joshi, no very reliable data of any kind on this question. We were interested to find that you considered there are better data for two of them than for the third.

A. It is only a general impression that the Japanese imports are not very large.

Q. Are they not the biggest imports from anywhere barring the United Kingdom?

A. Still they are not very large.

Q. Large enough to bring about this enquiry?

A. Oh! Yes.

Q. You do not think that the imports of piecegoods from the United Kingdom, Japan, Italy or any other country are likely to increase?

A. Because on the whole the mill industry here has always a better chance.

Q. Supposing the Continental exchanges, such as those of France, Italy and Belgium, continue to go down, will that not have some effect on imports from those countries ?

A. Temporarily it will have some effect. But after all it will not pay the country to keep its exchange at that level for a very long time. It does not pay France to have a very depreciated currency. It likes to improve the position.

Q. Why do you think competition between Japan and other countries is likely to increase ?

A. Because they are competing in finer goods and Japan is going to produce finer goods, but she has not done so, so far.

Q. We now come to some questions which you are in a special position to answer. You say you do not consider that Japanese labour is cheaper than Indian labour. What are your reasons for thinking so ? Are you referring to actual wages or referring to costs ? What I mean by costs is costs worked out on the basis of relative efficiency. There are two points of view. One is that Japanese labour measured by wages per head may cost more to-day than Indian labour. There is another point, which is that Japanese labour when you work it out by production might be cheaper than Indian labour.

A. We are not comparing production but rates of wages.

Q. What are your grounds for saying that when there is a period of depression the Japanese operatives get a year's wages on discharge ?

A. That is only what we read in some papers.

Q. That is more generous treatment than I have heard of anywhere in the world. I know of no country in the world where when operatives are discharged, especially at a time when mills are hard hit, they are given a year's wages. It would seem better to keep them on than give them a year's wages ?

A. We only depended on their statement.

Q. It is very important. If you could give us the authority for that statement.....

A. It appeared in the papers.

Q. I should like to have your authority, because it is the first time we have heard it. You consider that the facts require investigation. We are doing our best to investigate them, but you do not give us any idea as to how the investigation is to be carried out.

A. Our idea is that Government should send the Tariff Board to Japan to make enquiries.

Q. Do you think that the Japanese would welcome a Tariff Board from another country wandering round there ?

A. I think they would welcome it. We do not mind other people coming here and making enquiries.

Q. I think we might object if we had a Tariff Board from Japan wandering round India ?

A. England sent a deputation to the United States to investigate labour conditions. Japan also will not mind. As a matter of fact I read that the Japanese Spinners' Association has invited the Millowners' Association to send a deputation.

Q. You say that to a great extent it is your belief that Japanese and other exporters of cloth to India pay more attention than the Indian mills do to quality, finish and packing What is that based on ?

A. We are told so by several dealers. I have not got any personal experience. But when we talk to some dealers that is the impression we get.

Q. Have you seen any of these Japanese imports yourself ?

A. I cannot say.

Q. You could if you went round the market.

A. *Mr. Ginwala.*—I have seen them.

Q. What is your view ?

A. They are cheaper and there is more finish and all that. The yarn also is better than the Indian yarn. This information I received also from a mill manager himself, that they are not able to compete with the Japanese because the Japanese have got better finish and better quality of yarn.

Q. Then you say you cannot give us any specific information as regards the competition between the various lines in Japanese imports and the lines of Indian yarn or piecegoods. But you do not think there is any serious competition. There you are working on the total figures. You have not examined those figures, I take it, to see whether in certain lines there is not very definite competition.

A. Only in sheetings.

Q. That is a specific instance ?

A. There is also competition between 20s and 30s counts.

Q. Are not they specific instances ?
A. Especially in sheetings.

Q. You say there is no very serious competition. Would not you say there is serious competition in these lines ?
A. Except in sheetings.

Q. Sheetings is a specific instance ; and shirtings ?
A. To a slight extent.

Q. *Raja Hari Kishan Kaul.*—What about drills and jeans. There is competition there ?
A. To some extent.

Q. You blame the mills for having pushed their goods in the foreign markets and having neglected the local market. Other people blame them for having neglected the foreign markets and having attended to local requirements only. Which do you think is correct ? Do you think there is something to be said for the other side as well ?
A. *Mr. Joshi.*—Our case is that they neglected the home markets and we would like them to stick to the home market, to cultivate it.

Q. From the figures it might seem that they neglected the foreign markets.
A. What we thought was that they paid attention to the foreign markets and neglected the home markets.

Q. Then, as regards exports to China, you say that the fall in the Japanese exports of yarn to China has also been pretty steady. But the fall in the export of yarn from India has been very much greater. If you compare the figures for 1924 with the average of the five years ending with 1912, you will find that Japanese exports to China have come down from 105 to 63·8 millions, while India's came down from 176 to 30 millions. So that India and Japan are not falling off in exports to China in the same proportion. Besides there is the fact that Japan has established mills in China. So that, India has lost the yarn market in China ?
A. Certainly.

Q. In answer to Question 14, you say "though the Japanese imports are increasing, the proportion of Japanese yarn and piecegoods imported into India to the total consumption of those goods is very small."
A. Yes.

Q. If you compare the imports of yarn with the yarn for sale it will be very different, and the same way as regards cloth. In 1925-26 the Japanese imports are 14 per cent. of the total imports and in grey goods they are one-fifth of the total imports and in coloured goods one-sixth.
A. We take the whole quantity.

Q. I am taking 1925-26. You don't consider that would be different ?
A. All piecegoods ?

Q. All piecegoods. They are 14 per cent. of the total imports and in grey goods they are 20 per cent.
A. We have not got those figures.

Q. If these figures are correct, would you consider it insignificant—20 per cent. of grey goods, one-sixth of coloured goods and 14 per cent. of all imports ?
A. I cannot say what will be the total percentage of all piecegoods.

Q. Fourteen per cent., of all imports ?
A. If it is 14 per cent., it is considerable.

Q. I presume you are an expert in questions relating to exchange. You have studied the question ?
A. I am not an expert.

Q. *Mr. Subba Rao.*—In answer to Question 14, you say "the millowners in India have not properly cultivated the home market. They have mainly depended on export trade." Is it your impression that they export cloth and yarn much more than they sell in the home market ?
A. No.

Q. Then what do you mean by saying that they mainly depend on export trade ?
A. As regards yarn they depended upon export trade.

Q. Yes, as they depend on home sales also. But when you say they mainly depend on export trade I assume that you have some such idea that they export a larger portion of the mill production. Is that your impression ? Have you any idea as to what proportion of the yarn produced in India is exported as also that of the cloth ?
A. I do not think that is my impression.

Q. You say later that "the profits of the Indian mills were the highest in 1920 when the export trade in yarn and piecegoods had also touched the highest water-mark."

A. They made profits out of exports.

Q. Much more than they made in the home trade? What is your authority for saying that? Have you got any information as to the profits they made in the export trade apart from what they made in the home trade?

A. They cannot make much profit when they use their own yarn for their own mills and they export naturally because they make profits.

Q. But I suppose they use the yarn here in the expectation that the finished cloth will give them the same profit as they get by exporting it abroad.

A. Well, if they are making yarn they must use it here if they cannct sell it outside. They have joint weaving and spinning for that purpose.

Q. But my point is this. What do you think is the relation between the export trade and the home sales of Indian products? The suggestion seems to be here that the export trade was very much more important than it actually is.

A. We do not mean that. We simply mean that they pay greater attention to cultivating the export trade.

Q. From the phrase "mainly depended" the inference is that you think that the export trade was larger in volume than the home trade?

A. No, that is not the meaning.

Q. *Mr. Majmudar.*—In reply to Question 14 you say "the present depression in the industry is, if at all, very slightly due to competition in regard to quantity and price of imported yarn and piecegoods from Japan and other countries. Though the Japanese imports are increasing the proportion of Japanese yarn and piecegoods imported in India to the total consumption of those goods is very small."

A. Yes.

Q. It is represented that although the quantities of Japanese imports are small the prices at which they are sold in the Indian market are so low that the Indian mills cannot manufacture those qualities at competitive prices. In fact they have to sell their own qualities at a loss.

A. But we have to find out why the Japanese could sell cheaper. Is it not so?

Q. Yes, that is a different matter. Here it is a question of fact.

A. Yes; if Japanese sell cheaper, naturally they will compete with our goods.

Q. Although the quantity is small?

A. Yes. They will compete directly in those particular kinds and indirectly also with other kinds.

Q. I do not think you have the impression that India cannot spin between 30s and 40s.

A. Not in the immediate future. It can. I do not say India cannot.

Q. They are not doing it because it may be that the Japanese are selling at very low rates. In reply to Question 19, you say "the Union does not think that the competition of imported yarn of counts under 30s is a serious factor. The percentage of such imports may increase if the Indian mills do not improve their methods of working." That is with reference to counts below 30s, whereas actually in 1924-25 it is said that Japanese were selling 20s yarn in the local market at prices which were unremunerative to the local mills. So as I said just now, here also the same question arises, that it is not the quantity but it is the prices at which the Japanese sell in the local market that bring in profits or losses to the local mills.

A. If you want to get rid of competition altogether, then it is a different matter.

Q. It is not a question of getting rid of competition?

A. What we mean is that competition is not so serious as to drive out your goods from the market.

Q. Would you not consider it a serious competition if they are selling at a price at which Indian mills cannot manufacture, or, say, below the cost of production of the Indian mills?

A. But that cost of production must be determined. If they are really selling below a reasonable cost of production, then their competition is serious.

Q. Then with reference to Question 17, it is quite possible that Japan may be able to sell at a little profit in the foreign markets and sell in India at a little sacrifice in order to run all the machines and cut down the overhead charges. It is not necessary in that case for Japan to make a considerable sacrifice and in that way also Japan can sell in India at lower prices than in the other foreign markets.

A. But our mills can do the same.

Q. If they can manufacture at the same cost ?
A. Yes ; they can do the same.

Q. I would refer you to your reply to Question 17 where you say ' the Union does not believe that it is possible for Japan or any other country continuously to dump goods on the Indian market at prices which after deducting freight and incidental expenses would not cover their cost of production in the exporting country.'
A. If Japan can go on producing more in order to reduce the overhead charges or keep them down, our millowners can do the same and must do the same.

Q. Of course if conditions are the same and the cost of production is the same.
A. Certainly.

Q. Otherwise it is possible for Japan to sacrifice a portion of the overhead charges and sell in the Indian market at a lower price.
A. If selling at a lower price is on the whole profitable to them they will do so. But the idea of dumping means that they are selling at a loss and they cannot go on dumping goods.

Q. It would mean a small loss. If you take the total cost of production and compare the prices at which they are selling in India of course it would mean a loss to them.
A. We feel that no country will go on suffering loss for a long time.

Q. If the loss is a very small one and if they can recoup it in the reduction of overhead charges, they can afford to do it.
A. But if the loss is really small, then the loss which our millowners will suffer by dumping will also be small.

Q. But our millowners will suffer to a great extent if their production is much more compared with the quantity brought into India by Japan. Japan will suffer on a smaller quantity whereas the Indian mills will suffer on the total production.
A. Yes. Japan will suffer on the small quantities imported here.

Q. In reply to Question 34, you refer to the preference on the part of the Indian consumers for finer qualities of cloth. The qualities that Japan is introducing seem to be medium qualities. Do you think that the medium qualities, which are not very costly and which, compared in prices with the Indian quality, are not much higher, would oust the Indian qualities or is the sentiment of Swadeshism that you refer to in the last sentence so strong that the people will stick to Swadeshi goods although the Japanese goods are a little better and a little dearer ?
A. If they are really better and cheaper I do not think the spirit of Swadeshism will have much effect on the people as a whole. It will have some effect ; but on the masses I do not think there will be much effect. They will purchase those things which are better and cheaper.

Q. And if the prices are just a little higher ?
A. If they are a little higher, they will make a choice according to their taste. But that won't come to much.

Q. The idea of Swadeshism will not come in the way of purchasing the Japanese stuff ?
A. No ; not in the case of masses.

SECTION III

Internal Competition

President.—Would you say that mill conditions in Ahmedabad and upcountry centres are better or worse than they are in Bombay ?
A. As regards ventilation ?

Q. Yes.
A. As regards ventilation I think Ahmedabad is better than Bombay.

Q. What are your grounds for thinking so ?
A. There is more open space there. I have not compared factories with factories.

Q. With reference to your criticism of labour conditions in the Indian states, you say that practically there are no Factory Acts in many States. Which do you mean ?
A. Indore.

Q. That is not correct. There is a Factory Act there.
A. There is an Act which is as good as if there is no Act.

Q. That statement is entirely incorrect. There is a Factory Act and the Factory Act in force in Indore is the old Act which was in force in British India previous to the Amended Factory Act of 1922.
A. *Mr. Bole.*—The Nizam's Dominion ?

Q. I am not sure about the Nizam's territory. I believe there is only one cotton in the Nizam's territory.

Q. *Mr. Majmudar.*—There are two or three.

President.—I think there is only one actually working. At any rate I want to know to which State you are referring. Indore had a Factory Act.

A. *Mr. Bakhale.*—In Indore they are working for more hours.

Q. So was India previous to the legislation of 1922.

A. *Mr. Joshi.*—Now it is amended.

Q. It is not correct to say that there is no Factory Act in force in Indore. Also you possibly know that the Indore State is promulgating an Ordinance reducing the hours to ten. I have a copy of that here.

A. It is only now.

Q. Yes, but at any rate it is so. I want to know which States have no Factory Act. You say there are many States which have no Factory Acts. I want to know exactly which they are.

A. From the point of view of competition an old Factory Act is equal to no Factory Act.

Q. I want to know which States you are referring to even so. Which have the old Acts ?

A. The case of Indore was in our mind.

Q. That is one. You say ' many '.

A. Hyderabad.

Q. That is two.

A. *Mr. Bakhale.*—Kolhapur. There is one mill there.

Q. How big is that ?

A. A fairly big mill.

A. *Mr. Joshi.*—The Factory Act in Baroda is not on the same lines with the British Act.

Q. We have been told that was also being brought into line with the British Factory Act. There is a Bill at present to amend the Act.

A. If they change all their Factory Acts it is a quite different thing.

Q. In any case is it correct to describe the labour conditions as horrible merely because they are working under an old Factory Act instead of under the new one ?

A. A mill working for 14 hours—I will call horrible.

Q. I have worked for 14 hours a day.

A. I also work for 16 hours. But that does not mean that we should make our servants to work 16 hours a day.

Q. In any case do you agree that, in the circumstances I have just mentioned, the statement of yours is somewhat exaggerated ?

A. I should like to know. If you tell me that in all the States there are Factory Acts, I withdraw the statement.

Q. I have told you so. I understand there is a Factory Act in Hyderabad. I was told so by an agent who had a mill there.

A. *Mr. Bakhale.*—It depends upon how the Act is worked there.

Q. That is different. You say there are no Acts.

A. *Mr. Joshi.*—That is not our statement. It is as good as if there is no Act. We have not heard from you that there are Factory Acts in the important States.

Q. There are Factory Acts in Baroda which has more mills than any other Indian State. There is a Factory Act in Indore and in Mysore. The Act in Mysore is the latest Act. In the Indian States which have a majority of mills there are Factory Acts. Therefore the statement hardly seems to be correct.

A. *Mr. Ginwala.*—Not on the same lines as the British Act.

Q. They were on the same lines upto a point. The most important point of difference is now being amended at any rate as regards Indore and Baroda. I need hardly say that we are not here to enquire into the labour conditions in the Indian States. But as you have made this statement, I want you to substantiate it in justice to the Indian States.

A. Even if they have Factory Acts, they are not in line with the British Acts. Because we see they are working for longer hours.

Q. That is being remedied.

Mr. Subba Rao.—Is not the employment of women at night forbidden in the chief States ? It is only a question of hours now, ten as against eleven. That is the only point of difference in most cases.

A. There is no limit to the hours.

Q. You suggest they have no Act of any kind.

A. If there is no limit to the hours, if a mill could work for 14 hours, I can hardly imagine that there was a Factory Act.

President.—It was permissible under the old Indian Act.

A. *Mr. Joshi.*—Yes and we considered that that was wrong and we protested against it. There was no limit for men in the old British Act. In 1911 they prevented the mill working for more than 10 hours. But there was a limit for women to 11 hours. But the Factory could not work for more than 12 hours. That was the old Factory Act of 1911.

Mr. Majmudar.—There was restriction for male labour also. It was restricted to 12 hours.

A. Restriction in the sense that the Factory could not work.

Q. However for women it was less than for men. 11 hours for females and 12 hours for males.

A. Now the women and men are in the same position.

Q. The Factory Act lays down 60 hours a week and 11 hours a day. Sixty hours mean practically 10 hours a day.

A. Yes. But the Factory Act lays down 11 hours.

President.—In reply to Question 38, you say "the mill industry cannot compete with handloom industry in manufacturing *saris* and the varieties of that sort or in turning out a few coarsest varieties like *panchas, pasodies.*" What do you mean by *panchas* ?

A. *Pancha* is a small dhoti. It is not generally made by mills. It is made by handlooms.

Q. Made of the coarsest counts ?

A. Yes.

Section IV

Mill Management

President.—You say you do not think that the industry is carried on with reasonable efficiency and economy. What are your grounds for thinking so, Mr. Joshi ?

A. Because we think that there is room for economy in various matters.

Q. In which direction ?

A. In the direction of making purchases of cotton and such articles and also mill stores. There is also ground for economy in the salaries of the higher officials.

Q. You have seen what the Bombay millowners said with reference to this question of commission on purchases of cotton, mill stores, etc. You have a copy of their reply to the questionnaire. I take it, Mr. Joshi, that it simply comes to this : that you have based your reply to this question on mill management—you base it on what you have read in the newspapers ?

A. More or less.

Q. You were merely repeating the charges which have been brought against the Managing Agency system in the press ?

A. That is the chief source. What we hear from people in private talks is another source.

Q. Quite so. But then the trouble which this Board is faced with is that when we come to investigate the working of the mill industry and we ask for evidence on points such as these we are referred to the press. That is of very little use to us. Is it ?

A. True ; I realise the difficulty, but still there is also the difficulty on our side. We can get a man to tell us that such and such things exist, but when we ask him to put it down and sign, he will not do it.

A. *Mr. Ginwala.*—Ahmedabad mills are working more economically than the Bombay mills. There is not much red-tape there. There is no big staff. There is no direct supervision in the Bombay mills as in Ahmedabad. The overhead charges are much more here than in Ahmedabad.

Q. That is a point on which we can get definite information, but when we come to such statements as these with regard to the managing agency system, it is a different matter.

A. Then also it is costly that the Managing Agents have to be paid commission on production.

Q. There are very few mills in which it is done.

A. But they are there still. The commission which comes to the mill agent is always alarger sum than the salary which is to be given for a managing director as in the insurance and other companies.

Q. The commission paid to the Managing Agents would be larger than you would give to a managing director.

A. Yes.

Q. That must depend entirely on the profits which have been made. If there are no profits, would you still maintain that the minimum commission the mill agents get is higher than what would be paid to a managing director ? I have got a list of commissions paid on profits in 1924. One mill received a commission of Rs. 4,400; another Rs. 12,000; another Rs. 20,000; another 30,000, which was given up; another Rs. 15,000 and so on.

A. Let us take the average working charges. They would always be greater than the mills would have to give in the case of a managing director system. The industry has on the whole to pay more charges to the Managing Agents in the shape of commission than if there were a system of managing directors as in the insurance companies, and if the insurance companies are working on a profitable basis there is no reason why these mills should not.

Q. Are there many insurance companies working on the managing director system ?

A. The Jupiter.

Q. That is one solitary instance, Mr. Ginwala. The point is that whether it is a good or bad system, you have got the system of Managing Agents in this country and that is the system which prevails throughout the whole of India. Is it not so ?

A. It requires some change.

Q. Who is going to bring it about ? Do you think that any recommendation of this Board would have the smallest effect in bringing about a change in the managing agency system ?

A. *Mr. Joshi.*—Surely, we think so.

Q. You are much more optimistic than I am. A system which has been in force for the last 40 or 50 years cannot be changed in a day's notice and if it is desirable that it should be changed, don't you think that it is the business of the shareholders to get it changed, Mr. Joshi ?

A. If the shareholders were the masters, they would have done it.

Q. If the shareholders are not satisfied with the system, they are under no obligation to take the shares.

A. But having taken them once what are they to do ?

Q. They need not take it. If they do not like the managing agency system they can take shares in Government, in the shape of Government paper.

A. That is what they are doing now.

Mr. Ginwala.—Another point with regard to efficiency and economy is that since the spinning trade is gone, the centre of gravity having gone to the interior, the Bombay mills also must shift.

Q. That is a different point. We are now discussing the managing agency system. Your view that Bombay is now too expensive for the mill industry is a different point. That is a view on which I should like you to enlarge later on. We are now discussing the managing agency system. One of the points you raise in regard to it is that the interests of the agents are not so closely bound up with those of the other shareholders as they ought to be. Surely, however, it is always the case, I believe, that the mill agents hold a large number of shares. If they have the majority of them, is it not rather an exaggeration to say that their interests are not closely bound up with those of the other shareholders ?

A. *Mr. Ginwala.*—But sometimes they indulge in speculation.

Q. Sometimes ?

A. In the boom period, that is our experience. They speculated. It is an open secret. I can give the names of the directors who did that. Whenever they wanted to raise the prices of shares the only thing was to give fat dividends. That is not a sound principle of working a mill. Most of the millowners do it.

Q. We were told the other day by a prominent mill director that it was the shareholders who demand big dividends. Is it your view that the shareholders did not want such dividends but that they were declared in order to send up the prices of shares ?

A. Yes. The shareholders ask naturally. But the agents also encourage this tendency. They ought not to give more than 10 per cent. dividend. The rest ought to be kept to reserves—big reserves and floating charges. There is no need to pay interest charges.

to the banks. Our complaint is that there is reckless waste of profits and dividends which ought to be utilised for making big reserves and also for equalisation of wages. In bad times they did nothing.

Mr. Joshi.—It is not necessary that they should have shares in order to become managing agents.

Q. No; but the majority have.
A. The main difficulty is that it becomes a sort of hereditary system.

Q. You consider that a main difficulty ?
A. Yes.

Q. I do not know how you are going to cure it. You say you cannot substitute another system at short notice. Can you expect us to do it ?
A. We expect it and if people want a new method I think it will not be difficult to get it.

Q. It seems to me that it will be extremely difficult. You are much more optimistic than I am.
A. If I had been very optimistic, I would have brought forward a scheme as a substitute. But I think for the present it is a mere waste of time. The only thing that we can do to-day is to attack the system and condemn it.

Q. I wonder if you and I will live to see it replaced by any other system.
A. *Mr. Ginwala.*—Even now I can give one instance. Sholapur mills declare 100 per cent. dividends. It is a very large dividend. They might say they make very large profits. It is mere recklessness. In spite of this the Sholapur mills have declared huge dividends. The shareholders never wanted it. It is the agents' business to see that proper dividends are declared.

Q. I do not propose to discuss the affairs of an individual mill.
A. Even at this juncture they do not improve their ways.

Q. But the Sholapur mills are not in Bombay for one thing and for another thing the paid-up capital of the mills is very small compared with its reserves and other funds. In reply to Question 42, you refer to the agents' commission in 1923 and 1924. With reference to that, I would point out that some mills made profits in these years even though the result as a whole for the Bombay industry was a loss. Have you taken that factor into consideration ?
A. *Mr. Joshi.*—Therefore they made this commission. On the whole the mills had made, if you take the industry as a whole, losses. Still the mill agents made a good amount by commission.

Q. It depends on what you call a good amount.

Q. *Mr. Subba Rao.*—They are just like workers who get wages. They are also working during the year.
A. If they are in the position of workers, why should they control the industry ?

Q. That is a different point entirely.
A. They are not in the position of workers. They consider that they are responsible.

Q. I merely suggest that they are also doing work.
A. I do not deny that. They are doing work.

President.—Your view is naturally different from that of the Millowners' Association. I should like to know what mills in 1920-1921 paid 400 to 500 per cent. dividend ?
A. We will supply the figures.

Q. I think you will find some difficulty in doing so. I have made a careful study of the dividends paid since 1920 by all the good mills in Bombay. I tabulated them myself. I know there is no mill which goes beyond 250 per cent. although there are a few which declared that. If you say 40 to 50 per cent. it would be nearer the mark. I would submit to you that when you make statements of this kind you should be prepared to substantiate them. You may hold that the dividends that were actually paid were excessive; but that is another point. In your own interest it hardly seems worthwhile to overstate your case by giving figures which are not correct. I think you will find it very difficult to substantiate this statement that any mill paid 400 to 500 per cent. If you have any figures in support of it I shall be glad to have them.

You understand that "agents get commissions on cotton purchases at the rate of Rs. 10,000 for every 400 looms; that they get 2½ per cent. commission on purchases of machinery, millstores and fuel; and the rate of commission on sales of yarn and cloth is 2 pies per pound or 1 per cent. What mills are you referring to there ? Are you referring to this as a general practice or are you referring to a few cases on which you are in a position to speak ? Is it a general practice for the mills to get this commission on cotton purchases at the rate of Rs. 10,000 for every 400 looms ? You see our difficulty.

When you make a statement in reply to our Question 42 that some mills paid 400 to 500 per cent. dividends—a statement which we know is incorrect, and it is followed by a statement like this in reply to Question 43, we have at least some reason to doubt the accuracy. Can you give us any further information on this point ? I w ll refer you to what the Bombay millowners say in reply to Question 43.

A. We shall supply the information.

Q. If you can send us information, let us know definitely whether it refers to all mills or to what mills it does definitely refer and we shall then be prepared to take it up with the Bombay Millowners' Association when they come up again for examination and see what their views are in regard to it.

A. Yes.

Q. *Raja Hari Kishan Kaul.*—In answer to Question 42, you say "when the commission is charged on production its rate is generally 7½ per cent. for spinning and 12½ per cent. for weaving." Are you quite sure of these rates ?

A. *Mr. Bakhale.*—That is the information we have gathered from some of the mills. We are not quite sure.

Q. I think that is the rate for commission on profits. You are not quite sure of these figures ?

A. No.

Q. Talking about large dividends you want to protect the interests of the shareholders. Was it not that the shareholders wanted large dividends when the profits were large ?

A. *Mr. Joshi.*—The shareholders may have wanted it. But it was not a right thing to do.

Q. On the one side you say that the mill agents do not listen to the shareholders and on the other you say this.

A. Yes, they listen to the shareholders in a matter like this. Whether they listen to shareholders in all matters is a different thing.

Q. Then you want to give the workers a voice in the management. Do you think any of the shareholders would tolerate interference on an operative in the mill management without acquiring any interest in the mill ?

A. I do not say that. We say it is a proper method.

Q. Should not the operatives acquire some interest in the mill before they ask to be associated with the management ?

A. The very fact that they take employment is an interest.

Q. It is only labour for which they receive payment. But would you suggest some system by which they could invest in small deposit certificates or saving certificates which would enable them to purchase shares and acquire an interest in the mill ?

A. I am not against that system of having some saving surpluses. But my own view is that the very fact that the man takes some work in a mill and works there for a year or two gives him such right as is given to a man who puts in ten rupees in the mill, because his investment is in the form of labour.

Q. The investment of Rs. 10 is a permanent investment while the investment of labour is a temporary one. He may go away to-morrow.

A. It is not very easy to go away, though theoretically he may have a right.

Q. He may go to another mill.

A. That is true, theoretically he has a right to go away. But it is not always possible for a man to find other employment. Practically he has greater interests in the proper working of that mill than the shareholder.

Q. Another suggestion you make is that in order that the investing public should have a more effective voice than at present a limit should be set to shares held by each individual or a limit to the votes to which an individual shareholder is entitled. You think every shareholder should have a single vote instead of a number of votes according to the number of shares he holds ?

A. Yes.

Q. Don't you think that that would affect the best interests of a mill or any other concern ? For instance, 5 men holding 5 shares would be able to defeat 4 men holding 400 shares.

A. It would reduce the number of people who take a large number of shares. This is really the best method that is approved of in all co-operative concerns.

Q. Would not the result be that the capital required would not be forthcoming ?

A. It will be forthcoming.

Q. Co-operative concerns are different.

A. If people find that there is no other investment and they can safely make investments in co-operative concerns, they will do so. They demand a right to vote.

Q. For concerns like mills you want very large capital. It is not easy at the present time to raise the capital on that basis, by one man holding one share.

A. That is what we think to be the right method of basing our industry on.

Q. In the meantime you would shut up all the industries ?

A. In the meantime we can have some compromise. If a man has ten shares, instead of ten votes let him have five votes.

Q. You mention some figures in your answer to Question 42. You say ' a few persons got commission amounting to Rs. 32 lakhs and 17 lakhs.' These people have managed the mills for which they deserved some remuneration. They financed the mills during that period. Against this labour received 67 lakhs of rupees, whether there was a loss or whether there was a profit.

A. The position of labour is different from the position of those people who take responsibilities. The agents are either responsible or are not responsible. If they are responsible for profits, then they cannot get commission when there are no profits.

Q. That depends on the terms. They are responsible for the working of the mills and for financing them.

A. For financing they get their interest.

Q. Yes ; they must get it. We have been told that there are difficulties about obtaining finance.

A. They get interest on the money they lend. It is not free of interest.

Q. You cannot obtain financial assistance without a certain amount of influence and personal status.

A. If the concern is sound, it will be financed by the banks ; otherwise it will have some difficulties.

Q. But still there is practically the organising of finance, keeping accounts and so on. That requires some trouble. In return for that, like everybody else they deserve some payment—for managing the affairs of the mill ?

A. We do not grudge them payment at all. Let them have some payment for the work which they do. But what we say is that they are responsible persons for managing the concerns and if they say that they take risks and therefore they must get profits and larger share of it and they also claim to control the whole industry, then certainly they should not.

Q. Charge anything ?

A. Exactly.

Q. In some cases the mill agents do forego their commission, when there is no profit. That is probably what you want ?

A. That is the right thing to do.

Q. *Mr. Majmudar.*—Mr Ginwala refers to life insurance companies having no managing agents. But the conditions for running a life insurance company are quite different from those of working a mill. In the case of the life insurance company actually the actuary prepares the tables, and the only thing to be seen is whether a particular life falls in the first or second class. A managing director has simply to look to these tables as well as to the certificates of their doctors. There is no judgment to be exercised by the managing director in the business, whereas in the case of mills it is quite different.

A. Judgment has to be exerted in all concerns, where profits have to be made and to what extent, etc. It is all the same.

Q. The production of suitable varieties for the different markets, the fluctuations in prices of cotton, and other technical matters require greater skill and judgment than the work that a managing director has to do for the life insurance company.

A. *Mr. Ginwala.*—But in insurance companies also there are several factors for making the concerns successful. Not all insurance companies make money. So it requires business ability. Where intelligence is to be applied, to the cotton industry, jute industry or any other industry, the method of working is the same. If the managing director of an insurance company can make his business successful by this method, there is no reason why the mill industry could not be managed on similar lines. Take for instance the banks. They have no system of agencies. A banker has also to carry out all these kinds of work, a bank has to test whether this man deserves credit or not. They have got all sorts of transactions more complicated than mills, more risky. So, if the banks can be conducted like that, why not the mill industry ?

Q. I am pointing out the nature of the work.

A. It may be a little higher, but more or less it is the same. But what is your Bombay manager ? Where there is a will there is a way.

Q. You put it down to will only ?

A. There is no insuperable difficulty of managing a mill through a competent managing director.

President.—How many banks are there in India ?

A. There are many banks efficiently managed. In Bombay there are the Central Bank, the Eastern Bank, the Allahabad Bank, etc.

Q. There are 337 mills in India.

A. I am only talking of Bombay.

Q. Where are you going to get competent managing directors from for all these 337 mills ?

A. I can give a number of names in Bombay of banks, so many small and large in Bombay, and they have got branches. We find the Imperial Bank doing work throughout the whole of India with such a large organisation. There is no system of managing agency there.

Q. *Mr. Majmudar.*—There is no technical work to be done there ?

A. If you call manufacturing a technical work, lending money is also a technical work.

Q. Then as regards the shareholders' meetings, you say a large number of shareholders are being brought. Well, that is a matter to which no one can object, so long as they are share-holders. At present the agents are big shareholders, and have a greater stake in the concerns. Therefore they are bound to take greater interest.

A. *Mr. Joshi.*—Our complaint is this, that the agents are better organised. They have shareholders for ordinary meetings in their own office, while the other shareholders who are not organised are not present. The other shareholders are not expected to be as well organised as the agents themselves.

Q. If the shareholders themselves do not take interest, who is to blame ?

A. I think they are and I think that they have found out their mistake and they do not now-a-days invest their money. I do not defend the shareholders. It is their fault that they are not properly organised. Unfortunately they have found it out too late.

A. *Mr. Bole.*—It may be they found themselves very helpless. They are in a minority.

Q. This is an age of majorities. Everything is decided by majorities.

A. The managing agents have things in their own way.

Q. What solution do you suggest ? Do you suggest any alternative scheme ?

A. *Mr. Joshi.*—We have suggested in the written statement. One man one vote is better method.

Q. That means fifty people may purchase some fifty shares and out-vote seven or eight others who may hold eight hundred shares ?

A. That is desirable.

Q. If these people want a higher dividend they can take away the whole of the profit of the mill for distribution as dividends although the other people might be wanting to carry a certain portion to the reserve. It has its uses and misuses also ?

A. It is true. You have to compare the two methods—whether it is better that 50 people should get an advantage even by a wrong method than one should get advantage by a wrong method.

Q. Does it not come to a question of proportion of investment ? If you are investing Rs. 100 and we are investing Rs. 500 it is but just that we should get rights in the proportion in which we invest capital.

A. That is exactly what we do not admit.

Q. Further on you suggest that the workers should be given a voice in the management ' in recognition of the principle of industrial democracy ? ' Will you please explain that in detail ? I do not know whether you have read the scheme I submitted to the Industrial Disputes Committee.....

A. I do not remember.

A. *Mr. Bole.*—Here in Bombay ?

Q. Yes.

A. *Mr. Joshi.*—I do not remember it. I may have read it. What we say is that if these people who invest their money in a particular industry take some risks, the workers who invest their labour in that industry also take a risk, and from our point of view they take a greater risk. The only ground upon which people who invest their money really get control over that industry is that they take risks. We say that even those people who go and work in the mill take greater risks. Therefore they also must have a share in the management of the industry.

Q. In the case of the shareholders they are investing their savings and they stand to lose them. In the case of labour it does not stand to lose anything. If the mill is closed down the labour can go and join an adjoining mill.

A. I say in the case of the shareholders if they lose at all they lose their savings, but in the case of the workers they lose their whole livelihood.

President.—It does not seem worth while discussing this matter in detail. If the workers of Bombay are not sufficiently advanced to have one of themselves present before us to represent their cause, it is hardly likely that they will be sufficiently advanced for many years to come to occupy a seat on the Board of Management. We will discuss practical politics. We are hardly here to discuss ideals.

Q. *Mr. Majmudar.*—Do you think it will be better if a certain number of shares were kept for the workmen so that they get the right of attending meetings just as other shareholders ?

A. We won't object to such a scheme but we think the possession of a share is not necessary in order to get a voice in the management. I will not object to workers taking shares in any company in which they work, but what I say is, it is not absolutely necessary for a workman to get a voice in the management that he should have shares.

Q. Many mills I believe have Works Committees ?

A. Yes, there are some.

Q. Don't these committees give a sufficient voice to the workmen in the management of the mills ?

A. No.

Q. They are given the privilege of making suggestions, bringing forward their inconveniences and such matters to the notice of the agent or manager ?

A. It is a step in the right direction. I do not say it meets our requirements but it is a step in the right direction.

Q. Do you think if all the mills had these Works Committees that would be a great help to the labourers ?

A. *Mr. Bole.*—Yes, to labourers as well as to employers, if they are allowed to have their say as regards the internal management of the mills, and not only in connection with grievances.

Q. What do you mean by internal management ?

A. That is employing workpeople. As a matter of fact, there are men belonging to the working classes who are efficient but they are not given higher positions, the posts of Manager, Assistant Manager, etc.

President.—You want the operatives to elect their own higher staff ?

A. *Mr. Bole.*—They should be given opportunities.

Q. Of electing ? Of appointing the higher staff ?

A. Making recommendations.

Section V

Mill Finance

President.—We now come to section V. I notice one point on which you make a suggestion is that the mills during the boom period should have used some of their profits for buying new machinery. Some of them did and those mills say that by doing so they are in a worse position than the others owing to fact that the machinery at that time was so expensive and difficult to get.

A. What we meant to say was that the money should not have been frittered away in dividends. If they had kept the money and purchased machinery now when it is cheaper it would have been better.

Q. In other words, they should have put it to reserve ?

A. Yes.

Q. You say ' the Bombay Millowners have, it is worth noting, specially omitted to give figures in this behalf,' that is in regard to distribution of profits. What are your grounds for that statement ? There is a full statement in Appendix II to their replies to our questionnaire in which they give the dividends they paid and the profits they made. Why do you say that they specially omitted to give the figures ?

A. *Mr. Bakhale.*—They gave it subsequently.

Q. Between 1917 and 1923 you say that ' the Union does consider that there was an unduly liberal distribution of profits.'

A. *Mr. Joshi.*—This statement was received by us after this was written.

Q. So the statement that the millowners specially omitted to give figures of distribution of profits is not now correct ?

A. No, it is not.

Q. Out of the 33 crores of profits they made between 1917 and 1923 they paid 23 crores on dividends and 10 crores to reserve. Do you consider that that was sufficient or not ?

A. For ordinary days that would have been sufficient but for boom period it was not sufficient.

Q. How do you mean that for the boom period it was not sufficient ?

A. When the profits were extraordinary, they ought to have kept more for reserve.

Q. Now we come to the suggestion of yours that they should provide funds for equalisation of wages. First of all I would like to ask you whether there is any such fund anywhere in the world ?

A. I do not know whether such funds are built up anywhere in the world. These ideas are becoming more current and these industries must be able to put funds for equalising wages.

Q. You mean that they should definitely have a separate fund for equalisation of wages ?

A. No. If there is a big reserve fund, it can be used both for equalising dividends and for equalising wages. Sometimes they may not afford to pay wages at a particular rate. But if they have a large reserve fund they can keep up to that rate.

Q. Is not that what they are doing now—some of them ? In fact most of them say that they are not making profits at present. Therefore they must be paying wages out of their reserve funds.

A. If they had kept most of their extraordinary profits which they made before, there would have been no necessity for stopping the bonus which they did two years ago, or there would have been no necessity for attempting to cut wages which they did last year.

Q. The two things stand on a different footing. It seems to me that the essential feature of a bonus is that it is paid during good years and therefore it would cease to be a bonus if it were a regular part of wages.

A. It all depends upon how we look upon a bonus. As far as the workers here are concerned, most of them are illiterate people. They do not understand this difference between bonus and wages. If they had, when they had gone on strike in order to get a rise in their wages, they would have insisted on this bonus being called wages.

Q. But don't you consider, Mr. Joshi, that there would be a distinct danger if your suggestion were carried out, or rather that there is already a distinct danger that the millowners will never agree to pay a bonus on the ground that they prefer to put the money to reserve to enable them to keep their wages up in bad times, because the workers have come to regard a bonus as part of their wages ?

A. I won't be sorry for that, because even this bonus was not given voluntarily.

Q. How do you mean ' was not given voluntarily ? '

A. It was given after a strike. If after the strike, the workers got this bonus, they could by that very strike have got better wages. Unfortunately at that time they did not see the difference between bonus and wages. It was a mistake.

Q. What year was that ?

A. It was in the year 1920. I won't be sorry if the method of bonus which is really wages is stopped.

Q. We will come to that later on when we deal with the question of the standardisation of wages. It is your view that there should be a separate fund for equalisation of wages as there is in some cases for equalisation of dividend ?

A. What we are anxious about is that this reserve should be maintained. If the reserve is divided into two parts, we won't object.

Q. Let us think for a moment what would happen if it were divided into two parts. If you have a fund for equalisation of wages, who is to be the judge whether the time has come to use that fund for equalisation of wages or not ? You see my point ? A mill may say ' we are now making no profit or only a small profit ; therefore we propose to draw on the equalisation of wages fund to keep up the rates of wages.' Who is to judge whether the time has come to use it or not ?

A. When we come to that stage, I think we shall have to devise some machinery for negotiation on that point.

Q. You say that the practice of investing funds in allied concerns prevails in the case of some mills. In the case of how many mills ? We were informed by the Millowners' Association that there was only one such case, the case to which you referred this morning. Do you know of any others ?

A. It is one group of mills.

Q. Yes. Do you know of any other ?

A. No ; not of any other.

Q. Then, it cannot be regarded as a general practice ?

A. I do not know. I have got information about the one group.

Q. *Raja Hari Kishan Kaul.*—What you mean as regards wages is that wages at a certain standard should be continued to be paid whether the mills are making profit or not ? For that purpose you say that the reserve should be laid aside and should be drawn on when the mills are not making any profits ? Is that what you mean ?

A. Yes ; that is what I mean.

Q. If the mills are not making any profits, the reserves would come to an end.

A. If they are not making profits and if the reserves are not big enough, they would come to an end.

Q. And the mill would have to stop eventually ?

A. Yes.

Q. You think that they should effect economy in all directions except in the direction of wages ?

A. Yes, because wages according to our view are not to-day at the level at which they ought to be.

Q. When that stage is reached to when you find it necessary to draw upon the reserve, when the mill cannot work on economic lines and economies are found necessary and those economies consist of reducing expenses in all directions and when the reserves are exhausted, they would have to reduce the wages or close down the mill. At that stage would you advise them to reduce the wages or to close down the mill ?

A. It will depend upon the particular case. We shall have to judge all the circumstances of a particular case.

Q. It is conceivable that if the mill continues at a loss, the reserve would be exhausted after a time and eventually a stage would be reached where economies in wages might become necessary. Which of the alternatives would you then prefer ?

A. I can only reply theoretically just now. But what I shall do at a particular time will depend on the circumstances of that time. I do not say that there is no conceivable situation in which I won't ask people to accept lower wages. There may be a situation in which I may ask the people to work under those conditions.

Q. There can be cases in which you would ask the people to accept lower wages ?

A. Yes. Everything depends upon the circumstances at that particular time.

Q. And you think you have got sufficient influence over the operatives for them to listen to you when you advise them to accept lower wages ?

A. I cannot answer that. I do not claim that.

Q. In reply to Question 45 you say, " Besides, some of the mills may be finding themselves short of sufficient working capital owing to the accumulation of stocks which may be again the result of insisting on selling at particular prices, instead of trying to adjust the prices according to the purchasing power of the consumer." You think they should have sold all their stocks at a loss if it is in order to cover the money for their working capital or to suit the purchasing power of the consumer ?

A. Otherwise these stocks may not be sold. If there are losses they ought to make a readjustment in their expenses. They must reorganise the industry.

Q. That is, they should suffer losses ?

A. Yes ; and reorganise the industry.

Q. But at the same time they should continue to pay the wages ?

A. Yes ; because in our view the wages are not sufficient.

Q. You give it as one of the causes, that they are not selling at a sufficient loss and that is why they cannot get money to find their working capital ?

A. That is a view propounded by even a man like Henry Ford.

Q. They would have eventually to sell. They would have to suffer the loss. But that would not be a remedy?

A. The real remedy is to find out why they are not able to sell as cheap as other people do.

Q. We are trying to find out why they have to sell cheaper than the cost price. That is one of the complaints. To say that they have to sell at a cheap price because they have not sold their goods at a loss.....

A. It is true. Unless they find some method by which their goods are cheaper they will not be sold. They must reorganise the industry.

Q. Effect economies in all directions ?

A. Yes, and perhaps reorganise, doing the thing on a sufficiently large scale or standardise as Henry Ford does.

Q. *Mr. Majmudar.*—Looking at Table 2 in the Millowners' Association's statement you will find that there was an increase in wages in 1919 and there was another increase in 1920. This shows that when the workpeople were given a bonus they were also given an increase in wages. Therefore the people knew that a bonus was a different thing from wages.

A. That is not proved by the fact that they were called by different names.

Q. There was an increase in wages by to a certain percentage and there was also a declaration of bonus. Both these were done in the years 1919 and 1920. Naturally therefore they would distinguish the one as different from the other ?

A. I do not think they could distinguish that. If they could, they would not have gone on strike. The very fact that they went on strike shows that they could not distinguish.

Q. The Raja has raised the question of selling price and I put it to you whether a mill can continually go on selling at a loss only to meet the purchasing power of the consumer ?

A. I do not say that it should go on selling at a loss. What we really mean is that they must find out some method by which the production will be cheapened and that method is, as I said, the method which is followed by Henry Ford, who, without reducing the wages or after giving a higher rate of wages, produces things better.

Q. He went in for greater production.

A. Yes ; mass production.

Q. And here you see there is already over-production.

A. Over-production in this sense that things are dearer. I do not say that people cannot wear more cloth. There is need for more cloth.

Q. If the prices are reduced, there will be no over-production ?

A. Exactly.

Q. But at present prices is there over-production ?

A. Yes.

Q. With reference to the question of equalisation of wages fund, is it meant for times when the mills have to close down for shortage of demand or is it meant for indifferent times ? There are two circumstances in which the wages would be reduced. One would be when the mills are not making profits and therefore they are going on short time and if the labour cost is high they might reduce the wages ; or the stocks might be so high that the mills are obliged to close down. You would like to utilise the wages equalisation fund for the first or for the second ?

A. The second is a case of unemployment insurance.

Q. You mean that that fund should be utilised every time when the mills are not able to meet the existing scale of wages ?

A. Yes.

Section VI

Costs of Production

(a) *General*

President.—The next section is "Costs of Production." In your answer to Question 55 you say that there are mills in Bombay which are using 40 or 50 years old machinery. Do you mean that they have nothing else in the mill except the 40 or 50 years old machinery ?

A. *Mr. Joshi.*—There may be some new portions of the machinery.

Q. Which mill are you specially thinking of ? Is this based on personal knowledge, or merely a general impression ?

A. I cannot give you the names just now, but I do not mind sending you the names.

Q. Very well, send us the names which you refer to here.

A. I have got some instances in my mind, but I should like to make sure of them.

Q. Then in your answer to Question 57 you say that the natural disadvantages of Indian mills are due to mismanagement, lack of organisation, lack of initiative, lack of sound business methods, etc. Is not the lack of efficient labour another disadvantage ?

A. We do not think so.

Q. You consider that your labour is sufficiently efficient ?

A. Efficient for the price paid for it.

Q. That is a question we will come to. Some points will be put to you in regard to it.

Mr. Majmudar.—You say that the badly equipped mills have to pay more wages than the better equipped mills for the same quantity of production. Will it be possible for you to give us a statement of the different wages or the different rates paid by the various mills ?

A. We can give it you for some mills.

Q. Give us a statement showing the difference in rates and the difference in production.

A. Which question is that ?

Q. Question 55. You say the badly equipped mills have to pay more wages.

A. Not more wages ; it ought to be higher rates.

Q. Yes, I grasp that. You say in spite of the higher rates the wages are lower. And also you refer to the waste of raw material. If you can get us some idea about that, it will be welcome.

(*b*) *Raw Material*

President.—As regards the question of raw material, we went into this question this morning in regard to your statement that the losses in speculation were passed on to the mills. You suggest that the mill agents should co-operate and adopt measures for the elimination of middlemen. You mean that they should make co-operative purchases of cotton ?

A. Yes.

Q. Is not the buying of cotton rather an intricate business ?

A. Well, it is ; but if they can do it individually they can do it co-operatively.

Q. I think it would be a very difficult system to work. I am sure the millowners would be glad if you could show them how to work a system like that, Mr. Joshi. Co-operation amongst competitors in business is not very common.

A. It is not common but it ought to be common.

Q. It only leads in the end to complete amalgamation, which may not be altogether good for the consumer.

A. Well, when there is such a co-operation as to lead to a monopoly we shall have to find out some method of protecting the interests of the consumer, but at present the tendency in the industry all over the world is to move towards monopoly. We want to compete with the industry of the world which is becoming monopolistic. We shall have to adopt their methods and then find out a method of protecting the interest of the consumer.

Q. You suggest that the exporters of cotton who buy upcountry look to the tone of the market, and yet you disapprove of speculation. Is not looking to the tone of the market speculation ?

A. It is speculation of a kind. I do not say it is not speculation.

Q. Then you consider that the present depression in the industry can be attributed to purchasing cotton at higher prices than those now prevailing. You say that to some extent the present depression in the industry can be attributed to the purchase of cotton at prices higher than those now prevailing. Have you got any grounds for that view ?

A. Well, that is a general impression. I do not say that I can give you figures.

Q. *Raja Hari Kishan Kaul.*—You suggest that the mill agents should co-operate and purchase cotton direct from the market. At present there is a system of dealing in futures with a view to cover possible losses. Supposing the price of cotton falls between

the time the cotton was purchased in the market and the time when the cloth is placed on the market, will there not be a loss to the mill ?

A. We are not talking there about co-operation.

Q. What you are suggesting is that all the middlemen should be eliminated and that the millowners should make direct purchases in the market ?

A. Yes.

Q. That there should be no speculation. You want no hedging markets or any futures ?

A. I do not know very much about futures of the cotton market. What we feel is that if they do it in a co-operative way they will not have to pay the middlemen. As to how they should safeguard their interests against prices falling down, I have no suggestions to make.

Q. Even now some mills make direct purchases, and then they have to pay interest on the stocks they keep and also they have to run the risk of cotton prices falling between the time they purchase cotton and the time the cloth is sold. On the other hand, those who buy in a falling market can buy from day to day and thus avoid risk.

A. What an individual millowner does to safeguard his interests by means of hedging, they can do collectively.

Q. Will it be possible ?

A. I am not an expert in that matter. I have just thrown out an idea.

Mr. Majmudar.—At times certain millowners may be thinking that the prices are likely to be depressed while others may be thinking that the prices are likely to rise. So it will be very difficult to have an association to deal with hedge contracts; it is also so on account of the effect it will produce on the cotton market.

A. I do not know what effect it will produce but what is really good for the individual is good for an association. If one individual safeguards his interests by hedging, certainly an association of these individuals will be able to safeguard their interests by hedging.

(c) *Labour*

President.—Now, we come to an important question—Labour, Mr. Joshi. I should be glad if you would refer to the table in paragraph 104 of the Millowners' original statement and if you could tell me on what grounds you put forward the view that the wage bill of an average mill is one-tenth of the whole cost of production ?

A. That statement we have made after comparing the amounts spent on wages in some mills. We have got here a statement in my hand about a few mills stating the total cost of production and wages including mill office establishment, and we find that these percentages vary from 11 to 18.

Q. *Mr. Subba Rao.*—For what year ?

A. *Mr. Bakhale.*—For last year.

Q. It depends on the present price of cotton.

A. *Mr. Joshi.*—Yes.

Q. 1/10th to 1/7th ?

A. *Mr. Bakhale.*—It varies from 1/10th to 1/7th.

President.—What do you mean when you talk about the total cost of production ?

A. As shown in the balance sheets.

Q. What we call costs of production evidently are not those that you consider costs of production. Costs of production as we interpret the term are those given in the paragraph to which I have referred you. Cost of production means cost of manufacture. The cost of the raw material is not included.

A. It depends upon how you interpret the term. As far as the English phrase goes, costs of production may or may not include raw material.

Q. You will see from this statement that the cost of production is at least 40 per cent. According to your own figures—take the case of the Alliance Mill—it is 31 per cent. Then, the Spring Mill—I do not understand why you suddenly put in the agent's remuneration.....

A. *Mr. Joshi.*—These figures are taken from balance sheets.

Q. What has that got to do with it ?

A. I do not know.

Q. You put in the wages bill and put down office establishment and 24 lakhs as agent's remuneration. I take it that is included.....

A. Yes, it is included.

Q. It is not so stated. I can only work on the figures given. If you put down agent's remuneration it means.....

A. That is a mistake. It includes agent's remuneration.

Q. It was all included. You could not separate it ?

A. No.

Q. But at any rate you say here that the millowners' first thought is to cut wages in times of depression and that they leave 9/10ths portion nearly untouched. Let us go through the items. According to your own view, if we include the cost of raw material in the cost of production how can they bring down the price of that to any appreciable extent ?

A. We have pointed out the method. They can try to make economies.

Q. How can they reduce the price of cotton ? It is not fixed by any factor on which they have control. It is far and away the most important item.

A. *Mr. Ginwala.*—Purchasing it in the place where it is produced.

Q. Have you any reason to believe that they really pay to any appreciable extent more for their cotton than anybody else ?

A. Yes. They never care to go to cotton producing districts.

Q. We are taking a mill—the costs of manufacture of a mill which has got its own agents upcountry.

A. Very few mills have got their own agents.

Q. This happens to be one of them.

A. They do not send their men to the place where cotton is produced, and naturally taking a commonsense view, if a merchant has to bring cotton here and take all the risks, naturally his profits should be large. Why should the millowners allow the middlemen to make these profits ?

Q. The answer to that from the millowners' point of view would be, I take it,—at any rate as regards the smaller mills which do not use much cotton—that they have a far greater choice of cotton here than if they send their agents upcountry. I do not know what the consumption in a mill of say 30 thousand spindles and a thousand looms would be, but I take it that it would not pay a small mill to send its agent upcountry because it wants cotton from various places. It wants a few bales of good cotton to mix with cotton that is not quite so good, and so on. In these circumstances, on the whole its most efficient method of buying cotton is to buy it in Bombay where it has got cotton on the spot. I am going through this list, and I want to ask you what appreciable economies can be effected in the various items.

A. A good deal of economy can be effected if the purchase is made direct.

Q. That is your view.

A. It is practical common sense.

Q. It is not practical common sense. It is a point of view, a natural point of view. I quite admit. I am not an expert myself and I am prepared to admit that. But if you were intimately acquainted with the methods of the cotton trade you would probably realise that there is perhaps more to be said from the other point of view than you are prepared to admit.

A. It comes to this then that the Japanese who send their agents are following a wrong policy.

Q. Not at all, because, they are purchasing on a large scale. The point I am putting to you is that where a large group of mills or some very large mills are concerned it is to their advantage to have their own agents, but where you get a small mill the advantage is not so obvious and probably entirely disappears.

A. In Bombay there are several groups, Currimbhoy, Tata, Sassoon, etc.

Q. Have not the Sassoon group their own agents upcountry ?

A. I have not seen the Sassoon group going upcountry.

Mr. Majmudar.—They make their purchases in the districts through Messrs. Patels.

A. We have never heard of it.

President.—Take coal. How can the cost of that be brought down ?

A. *Mr. Joshi.*—We only advocate co-operative methods in regard to that. As regards office and supervision, certainly there is scope for economy.

Q. Possibly, but it is a very small point. The cost of office and supervision is insignificant as compared with labour. Take fire insurance. How can that come down ?

A. *Mr. Ginwala.*—They can have their own insurance companies. As a matter of fact I am told that they are going to have an insurance company shortly.

Q. That is feasible, but it will not make much difference. The Municipal and other taxes cannot be influenced in any way. Interest—there may a little scope for reduction there, but it depends on other considerations. Commission on cloth — suppose you will argue that there is some scope for reduction there, but it is a very small item. Excise duty—that is gone now.

A. *Mr. Joshi.*—That is the trouble under the present system. When you have to make an economy in a time of depression the only item in which you can do it is the wages.

Q. That is the point, Mr. Joshi. You blame the millowners apparently because it is so. But it is a question of hard fact.

A. It is a fact under the present system. We therefore come to an important point whether a system in which the only method of economising is the reduction of wages is a right system. In fact it is a very large question.

Q. We are not here to argue questions of that nature.

A. Exactly. Therefore we have only satisfied ourselves with simply stating that what happens is that whenever there is depression the wages are reduced.

Q. It is also true to say that not only wages are reduced, but profits and dividends entirely disappear.

A. Perhaps under such circumstances that is not a large item. Other large items remain untouched. I do not see that there is very great remedy under the present capitalistic system for this evil.

Q. That is the point I want to get at.

A. I admit that. Under the capitalistic system there is no very great remedy for this evil.

Q. That is really the point which confronts us. You say in reply to Question 66 that there has been no reduction in output owing to reduction in hours of work ?

A. Yes, that is a matter which can be proved.

Q. Does it not stand to reason that as regards spinning at any rate there must be practically a mathematical reduction ?

A. *Mr. Ginwalla.*—It will appear like that, but if labour gets more rest naturally it will be putting up more work than jaded labour.

Q. As regards weaving it is admitted that there has been a reduction but not a mathematical one. You say Appendix III will " convince the Board, etc. " I think it is a mistake for Appendix IV ?

A. *Mr. Joshi.*—Yes.

Q. The figures hardly bear you out. Taking the long strikes into consideration there has been a very marked reduction in the amount of yarn spun but not so much in the woven products because the number of looms has increased as we know. But taking the yarn spun there has been a very marked reduction.

A. It is difficult to prove anything by these figures.

Q. That is my point. I quite see that. But you say that the figures will convince the Board of the truth of the statement, and now you say it is difficult to prove anything from the figures.

A. Because some factors are very uncertain.

Q. I quite agree. I am merely suggesting to you that the statement hardly bears out your contention that there has been no reduction in production owing to reduction in the hours of labour.

A. I agree it is very difficult to prove it but there are several factors which we cannot really calculate at all.

Q. In your reply to Question 71, talking about the reduction of working hours, you think the reduction of working hours would check absenteeism. Do you mean that working hours should be reduced still more, below 10 hours a day ?

A. Yes, I would advocate it.

Q. You want eight hours a day in India ?

A. Yes.

Q. How will that check absenteeism ?

A. Because then there will not be so much temptation to remain absent. If a man gets rest daily he won't be tempted to remain absent in order to get rest.

Q. Do you consider that if you had an 8 hours day the mill industry would be able to compete with Japan ?

A. Well, that is my belief.

Q. That you with an 8-hour day will compete against Japan with 11 or 12 hours ?
A. It is very difficult to say whether we shall be able to compete or not. At least I would make an experiment. If English people can compete with an 8 hours day I think we shall be able to compete ourselves. At the same time I shall certainly make an effort to get the Japanese hours reduced also. I am not prepared to take very great risks if I can help it.

Q. To what do you attribute this marked difference between the mill you mention and the other mills in Bombay ? Absenteeism is 3 per cent. in one case and 10 per cent. generally. You say that we may investigate the causes. But you must be able to give us some general idea as to what they are.
A. We can say that Mr. Addyman is a very sympathetic manager. He looks after the welfare of his people.

Q. Are there any cotton textile mills in Bombay in which absenteeism is only 3½ per cent. ?
A. I have not got figures.

Q. How big is the Woollen Mill ? How many operatives has it got altogether ?
A. It is a big woollen mill. I cannot say how many operatives it has.

Q. You do not know of any cotton mill in which absenteeism is only 3½ per cent.?
A. No, I have not got figures.

Q. You do not know whether any of the Bombay mills have absenteeism as low as that ?
A. Well, it may be worth while finding out.

Q. You say some mills have instituted provident funds for their employees but in some of them ordinary men and women are not allowed to contribute, because they are only for the supervising staff ?
A. Yes, clerks and such people.

Q. I would like to hear a little more about this Textile Training School of yours, Mr. Joshi ? Where is it ?
A. It is in Parel—the Bombay Working Men's Institution.

Q. How big is it ?
A. It is small for the present. We have got between 20 and 30 students.

Q. They are of what class ? Operatives ?
A. Yes.

Q. What plant have you got ?
A. We have got the ordinary machinery in the mills.

Q. You cannot have very much. How many spindles and how many looms have you got ?
A. We have got two or three looms.

Q. Spindles ?
A. Yes, every kind of mill machinery. We have got a separate building for it. We have not yet introduced power there but we are just negotiating terms about using electric power.

Q. I think it is common knowledge, that Sir N. N. Wadia gave a subscription for it. Did you get any subscriptions from any other millowners ?
A. For the building Sir N. N. Wadia gave a subscription.

Q. How much ?
A. Rs. 35,000. We got machinery from Sir Fazulbhoy Currimbhoy and E. D. Sassoons.

Q. Some prominent millowners have taken an interest in it.?
A. Yes.

Q. How many students can you accommodate ?
A. We can accommodate 50 students. We have not got sufficient money to have different classes. We at present run only evening classes. If we begin to have day classes we shall have to give wages, if we want men actually working in the mills. What they do in England is to make a young lad work for a week and then he goes back to the mill. That is really very costly because you have to pay a week's wages to the boy.

Q. Of whom does your committee consist ?
A. Mr. Turner of the Victoria Jubilee Technical School is our chief adviser. Then we have the Director of Industries, a representative from Messrs. E. D. Sassoon and Company and some of the managing committee members of the Social Service League and some representatives of the Municipality, because they gave a grant to the school.

Q. You think if the millowners were to show more encouragement to this school it will have a good effect on the efficiency of labour generally ?

A. Well, a small attempt like that will not produce much effect, but if there are schools of this type in larger numbers there will be some effect. One school will not have much effect upon the efficiency of labour in the City, but if there are a hundred schools there will be some effect.

Q. If they were to show more sympathy towards efforts of this kind it would have a good effect upon labour generally ?

A. Yes, I think so.

Q. Do you give them certificates at the end. How long do you keep them ?

A. We are at present in the second year. So we have not yet issued certificates.

Q. How long do you propose to keep them ?

A. For about a three years course.

Q. Your view is that it would be a good thing if people who are employed as jobbers and head jobbers were people who passed through your school ?

A. I think so.

Q. You say that wages in the cotton textile industry are not higher than those in any other industry and that the millowners have not given facts and figures in support of their view. But I do not find any facts and figures in support of your view ?

A. It is not very easy for us to give facts and figures about all industries in the country. Ours is a very small organisation. As a matter of fact wages in workshops in Bombay are higher than wages in the cotton mills. Wages in the railway workshops or wages in steel works in Jamshedpur are higher. It all depends on the nature of the industry. They cannot say that the wages in the textile industry are higher than those in other industries. They will have to give figures for all industries.

Q. It is rather a difficult matter unless statistical information is available.

Q. In your answer to Question 78, Mr. Joshi, I take it that you do not accept the cost of living figures ?

A. No, because it is not explained how these figures are arrived at.

Q. You may accept the figures or not, but the method by which they have been arrived at has been explained time and again I believe ?

A. Still, there are details as to how these figures are arrived at and the method is not given.

A. *Mr. Ginwala.*—They themselves admit that the method is not sound.

A. The Director of Labour does not admit that it is not sound. What he does admit is that it is capable of being improved on. That is a different matter.

A. *Mr. Joshi.*—We have given quotations in our general statement.

Q. In any case it is the only method there is at the moment. You do not accept it because it does not prove what you want it to prove. Is that it ?

A. They have made a statement themselves that their method is not quite satisfactory. Then certainly I am entitled to take advantage of that statement and say that we cannot accept them, if they themselves are not sure of their method.

Q. A new method might work out even worse for you. Would you accept it then ?

A. Not at all.

Q. Do I understand you to mean that you would accept it only if it were favourable to your views ?

A. I did not say that. What I say is this. If they themselves are not sure of their method being right they can't expect me to take their method to be right.

Q. I see your point. My point is any other method might possibly work out more unfavourably for you. Would you accept it then ? A new method might give more unfavourable results ?

A. We shall examine that method also and see whether it is correct.

A. *Mr. Ginwala.*—Another point is that they go upon the basis of the 1914 figures and assume that the wages paid in 1914 were absolutely good wages. We deny that 1914 wages were good. They were starvation wages.

Q. *Raja Hari Kishan Kaul.*—On what lines would you reconstruct this index number ?

A. *Mr. Joshi.*—I am not an expert statistician. I know they themselves are not satisfied about their method, and that is sufficient for me.

Q. I thought you might be able to make some suggestions ?

A. If I knew all the details, as to what they have included, what proportions of each article they have included, I could do so. Now there is one point. They take a

proportion of different articles as found in the whole country and they say that they consider it to be all-India proportions of different articles consumed. It may be somewhat less in Bombay and more in the United Provinces. If your figures are based on an all-India average they will not suit Bombay. That is quite certain. I have given you just an indication as to how things will vary. In some cases I find beef included in the cost of living. In some places where there is not a sufficiently large Muhammadan population. If you put down something for beef it will affect your cost of living index differently. You cannot express a definite opinion unless you know all the details as to how that cost of living index was arrived at.

Q. You now know how it was worked out ?
A. Has it been explained ?

Q. *Mr. Subba Rao.*—They have been explained in the Labour Gazette, Volume 1 or 2. They have taken all-India proportions.
A. Then it is a defective method.

President.—Possibly, but it has been explained. You say you do not understand how it has been arrived at but that has been explained from time to time.

We now come to the question of the relative efficiency of Indian and other labour. I understand your point of view to be that Indian labour for the pay it gets is as efficient as Japanese labour ?
A. Yes.

Q. Have you made any comparison of the actual rates of wages in Japan and India ?
A. We have some figures but we have not got definite information about Japanese wages. We have given figures as we found them.

Q. We have got a certain amount of information on this point. Our information is that the rate of wages in Japan is not so much higher than it is in India but that the Japanese spinner looks after half as many spindles again as the Indian spinner and the Japanese weaver looks after a quarter as many looms. Therefore the actual cost per unit of the Japanese operative's work is much less than that of the Indian although their wages are the same or very nearly the same.
A. It is difficult to judge of the comparative efficiency unless we know all the facts. We must know what machinery is used there, what sort of management there is in Japan. It is not only the skill of the labourer which is responsible for the production. There is the skill of the organisation.

Q. Do I understand you to hold that the shortcomings of Indian labour are due to any cause other than the shortcomings of the Indian operative ? Is that your position? Put briefly, is it your position that the shortcomings of Indian labour are due to other causes than shortcomings on the part of the Indian operative; that when you find that the Indian operative is turning out less work than the Japanese operative, you have to look for factors such as organisation, machinery and everything else other than the man himself ?
A. No. I shall require some proof before I lay the charge against the man. What we must remember is that the Indian labourer is ignorant and illiterate. He cannot defend himself.

Q. Exactly.
A. It is easy for any one to talk of his being inefficient. It is difficult for us to talk about the inefficiency of others. Therefore when we make any charge against Indian labour which cannot defend itself, we must have real proofs before us. The mere fact that production is less in India is not a proof of inefficiency of labour.

A *Mr. Ginwala.*—Climatic conditions are also to be taken into account.

Q. Quite so.
A. *Mr. Joshi.*—We are quite ready to have a thorough examination. If it is proved after examination we shall admit it. But there is no proof coming up. We take only the production of Japan and we take the production of India and we see how many men are engaged here and there. But these are not the only factors responsible for less or more production.

Q. They are not the only factors but they are very important factors.
A. A man like Henry Ford says that he can use the same American labour differently. So the ability of the man, that is of the management, is perhaps more important than the skill of the labourer.

Q. You can take the average in Japan and the average in India.
A. Yes, but we have to compare not only the labourers but also the managers in Japan and the managers in India.

Q. We may put it this way. How many of your operatives do you consider are capable of looking after as many spindles as the Japanese ?

A. I think most of the labourers here would be able to do that if you just give them an opportunity and train them.

Q. Are you prepared to support any scheme for increasing the efficiency of labour ?

A. Certainly ; if there is a scheme we shall consider it. We do not want labour to produce less here.

Q. Would you be prepared to support a scheme if it merely gave the Indian operative the wages of the Japanese operative ?

A. We shall consider the scheme.

Q. Not prepared to support it ?

A. Unless I see all the conditions, I cannot give any reply.

A. *Mr. Ginwala.*—Efficient housing is also an important factor. Except to say that they have contributed indirectly to the sheds, what have they done ?

Q. That is a point which we will go into later. But I cannot see how you can complain against the Bombay millowners because you say if they were to build houses you would not advise your people to live in them.

A. Even if the houses were built it is better for the operatives not to live in them, because it gives the millowners an undue hold over them.

A. *Mr. Joshi.*—We would like the millowners to hand over the money to the Government and Government should control it. That is a better method. We shall deal with that point. It is not an imaginary fear that we are entertaining.

Q. We will come to that later on. You say in your reply to Question 82 that the experiment of working double shifts was tried in some mills in Bombay during the war but most of them discontinued. In how many mills was it tried ?

A. *Mr. Ginwala.*—In the Spring Mills.

Q. If that is so I must protest against the loose way in which you have drawn up this statement. You say " the experiment of working double shift was tried in some mills of Bombay during the boom period, but in most of the mills it was discontinued after a short trial." It was tried in one mill and discontinued in one mill. How can you therefore talk of " most mills ."

A. It was tried in some other mills.

A. *Mr. Bole.*—Double shift was tried in the Woollen Mills also.

Q. We are not dealing with woollen industry, but only with the cotton textile industry. In your own interest I would repeat that a case gains nothing by overstatement.

A. *Mr. Joshi.*—If we did it, we express our regret for it. That is a mistake.

Q. You say there is plenty of room for expansion of the indigenous industry as the home produce only supplies half the requirements. The point about that is where is the cotton going to come from for the other half ? As you probably know the foreign imports are made mostly of cotton which India does not produce.

A. I do not understand.

Q. You say that there is plenty of room for expansion of the indigenous industry as the Indian mills only supply half the home requirements. Do you consider that you are or ever will be in a position to supply the whole of the home requirements ?

A. That depends on our capacity to produce long staple cotton and also whether we can purchase long staple cotton from other countries and produce. We shall have to make an effort in that direction.

Q. *Raja Hari Kishan Kaul.*—Is it a fact that the weavers are generally averse to working more than two looms ?

A. I do not think so. That experiment has not been tried on a large scale.

Q. We were told when going round the mills that weavers are generally averse. You do not know whether it is right ?

A. It is not right. The experiment of asking the workers to work a larger number of looms has not been properly tried as yet.

Q. Some people seem to have made an effort and given it up ?

A. They have given it up after a test of a few days. It is a mistake. If you ask people to change their method of work it will take time to adjust themselves.

Q. Have you thought out any scheme for extending your instruction and the education of the mill workers ? Have you thought out any scheme for the extension of technical education ?

A. I am finding it difficult to maintain the present school.

Q. It cannot have much effect on the total mill population.
A. No, I do not think it will have a great effect upon the mill population. Our effort is just to show what can be done.

Q. It is very little.
A. We shall see what can be done in one school, and if such schools multiply then certainly it will have an effect.

Q. Have you thought out any scheme ?
A. I have thought out the scheme but unfortunately there are no resources. I have seen schools in the United States conducted in the mill itself and they reserve a portion of the machinery for training in the mill itself. In Lancashire they have got evening schools practically on the same lines on which we are conducting our school.

Q. It will have to be done on a very large scale to produce some effect ?
A. A man ordinarily working ten hours a day is too tired to go to any class.

Q. Why don't you direct your attention to taking half timers into your school ? Would it not be a good thing to take young boys before they become half timers and train them and then send them into the mills where they could be further trained as half timers ?
A. Because we take in our school a boy who has got some experience, who does practical working in the mill and we give him valuable training as well as show him how that training is to be applied on the machinery. If he is doing the work every day then he is really trained. He should have some opportunity to exercise his valuable knowledge every day.

Q. At present you have difficulty about a day school ?
A. Yes, we have no day school at present.

Q. As regards wages, do you admit that there has been any rise at all since 1914 ?
A. We admit that there was some rise.

Q. What is your idea of the measure of the rise ? You say the figures given are wrong ?
A. I cannot give you any definite figure. That is my trouble.

A. *Mr. Ginwala.*—The rise is only in proportion to the cost of living ; therefore they are not able to make any saving. The position is the same as in 1914.

Q. Is it a fact that many of the better paid operatives are more in debt ? Those who get better wages spend more ?
A. Only the jobbers who get *dustoori,* they spend the money.

Q. That is, their income is larger and they spend a lot ?
A. *Mr. Joshi.*—I do not agree with that statement. I question that statement.

A. *Mr. Ginwala.*—My answer is that if a jobber gets Rs. 100 or Rs. 125 he generally spends more on luxuries.

President.—You say with regard to overhead charges " fire insurance is a considerable item in the expenses of a mill. This amount can, the Union thinks, be reduced, firstly by revaluing the buildings and the machinery in the light of the present values thereof ". But I take it the present value is the value on reinsuring. The mill is only reinsured on replacement value. What do you mean by present value exactly ?
A. What we felt was that the values of the building had gone up. The prices of buildings had gone up some years back and if the insurance is made on those values, larger premiums ought to be paid. So we say if the buildings had been highly valued on account of the rise in the cost of these buildings, they should be revalued now so that the lowest premium may be paid.

Q. What do you mean by " present value " ? Do you mean the actual value you would get if you sold it ? Or the value you would get if you had to replace it ? I take it that no mill insures for more than it would cost to replace. If it does, it is very foolish. Do you think that the mills can really be accused of paying higher fire insurance premiums than they need ?
A. No, but the prices of buildings had gone up before and they have gone down now.

Q. But their premiums presumably have gone down too. I do not suppose they are paying at the same rate as they did five years ago ?
A. I cannot say really what they do now. I have not got definite information on that point.

Q. You would not say there is much in that point ?

SECTION VII

Remedial measures

President.—We now come to remedial measures. You say if this proposal to remit the Customs duty on machinery and mill stores were accepted "a guarantee should be demanded from the millowners that prices would be proportionately reduced." How are you going to enforce that reduction ?

A. It is difficult, I admit ?

Q. Have you worked out what difference it would make to them if the duty on machinery and mill stores were reduced ?

A. No, we have not worked out the figures.

Q. I think they worked out, that at the utmost it would be about 5½ pies a pound. I admit that in the aggregate it would make an appreciable difference. I think it comes to between 50 and 60 lakhs over the whole industry. But is it worth while demanding a guarantee for the concession when at the most it gives a reduction of 5½ pies a pound ?

A. If the proposal is taken separately, it is difficult to demand a guarantee and they may not accept it. But if several proposals are taken together and if the advantage is sufficiently large, they may accept.

Q. It is a different matter, if several proposals are taken together. Have you read the report of the Fiscal Commission ?

A. Yes, when it came out.

Q. Do you happen to remember what they said there ? It was that raw materials should be admitted free of duty. Machinery and mill stores are regarded as raw materials for the mill industry.

A. That depends upon what view you take. If we accept that the machinery could be made in India, sometime the producers of machinery may need protection. The same thing about mill stores.

Q. Then they can apply for protection. The present duty on machinery and mill stores is merely for revenue purposes.

A. It is for revenue purposes.

Q. As regards the town duty of Re. 1 per bale, you say "this is partially for the Municipality to consider." Does not the whole duty go to the Development Department ?

A. The Municipality gets a share. You say the Development Department. Only a portion of it goes to the Development Department.

Q. You say "if, however, after a searching enquiry into the labour conditions in Japan including wages, hours of work, etc., it is found that Japan is getting an advantage on account of the sweating of her workers, the Union would prefer the more drastic step of prohibiting the imports of sweated goods, till the labour conditions are brought at least up to the Indian standard." You would prohibit the importation of Japanese goods entirely, and yet in your reply to Question 104 you say "the imposition of an extra import duty would be only vindictive and practically little helpful to the Indian cotton mill industry." I find it a little difficult to reconcile the two points of view.

A. Our point of view is this. If the Japanese are competing with our industry on account of labour sweating, the best method of course is to stop the imports so that the Japanese will have no other alternative but to improve the conditions if they want Indian trade. If you merely increase the import duty, in the first place, the import duty will be increased for all people who bring in their goods here and to that extent there will be less competition. According to our proposal even if the Japanese goods are prohibited, the other goods will be coming in. If you put on an import duty, the other goods also will be dearer and then there is no guarantee that the labour conditions will be improved. On the contrary, there is a danger of labour conditions becoming worse. In Japan if they want to compete, they may make the labour conditions worse. That is the danger of imposing import duties. Of course our proposal seems to be drastic. But it will have this effect immediately. After all the Japanese want Indian trade and Japanese also cannot complain of anything unfair being done. If their conditions are worse, then certainly they are putting us at a disadvantage. They have no argument to support their policy. And as far as I can judge, Japanese labour conditions will be improved as soon as they think that their Indian trade is in danger; because the Japanese know very well that they have to make these improvements. They are simply taking time. It may be one or two years. They have to make the improvements at some time. If they have to do the

same thing after two years, for fear of losing their trade they will do it to-day. But by merely putting import duties you will force them to do other things—to make the labour conditions worse, to give some subsidies at the cost of the poor people in Japan to the industry and to compete with us. Merely levying an additional import duty of 13 per cent. gives you no guarantee that the Japanese goods will not be dumped here. They have been making a tariff war and giving subsidies. They may continue that war. We have not seen the end of the Japanese resources in fighting a tariff war. But our proposal is not a tariff war. It is only insisting upon certain improvements.

Q. Would it not provoke a tariff war? The Japanese could easily reciprocate in a similar way. Could they not?

A. Yes; but that will not last long, because what we are asking is not a great thing. The Japanese labour conditions will have to improve. They have not yet enforced their legislation which they have passed. They are promising to enforce it in every International Conference and I think the pressure of the world public opinion is being felt in Japan, so that if the Japanese have to do a certain thing after one or two years, in order to retain their Indian trade they will do it to-day. What is required is a little pressure which is supplied by our proposal.

Q. I presume you realise it means the abrogation of the Trade Convention between India and Japan?

A. Yes.

Q. Is that a matter which could be embarked on lightly?

A. Your proposal about the import duties on Japanese goods alone will necessitate the same step. If you levy import duties on all, you are doing much more than what is needed to meet the situation.

Q. Could you not meet the situation by levying the duties on coarser counts and leaving the higher ones alone? Assuming that the bulk of imports of counts below 40s comes from Japan, would that not have the same effect?

A. Then will come the question of the interpretation of treaties, if they find that by merely some device you are getting round that treaty.

Q. The treaty merely gives Japan the same rights as other nations. If you levy your duties by counts, there is no question of any infringement of the Convention.

A. Nominally it may seem so to us. But it may be open to Japan to say that the rate of tariff which we propose may work differentially between the different countries. It is open to them to bring forward that question and we shall have to admit—if not officially—that it works differentially between the different countries. You cannot say that according to the words it is not so. As honest men we have to admit that it works differentially between Japan and the United Kingdom. So we cannot avoid denouncing the treaty either way.

Q. There are ways and ways of doing things, Mr. Joshi. You are not in favour of an increased import duty?

A. No, because I think it is a wrong method of giving protection.

Q. You consider it would increase the cost to the consumer?

A. Yes; and on the whole it will not do good to the industry. Your people will not purchase goods if they become more costly and the industry may lose instead of gaining.

Q. But the Millowners consider that probably the increase in the cost to the consumer would be negligible if you put on this 13 or 17½ per cent. they suggest.

A. I can only say that their idea of negligible and my idea of negligible are different.

Mr. Ginwala.—But in the aggregate it would come to 6 or 7 crores?

Q. The argument is that divided up amongst the people it is only a few annas.

A. It may be so if it is divided among the 300 million people. In all, the consumers will have to pay several crores.

Mr. Joshi.—That is the danger of these import duties. You can spread the burden over a very large class of people who cannot speak out and therefore you can do it without much trouble. We have, in our statement, suggested a way of giving protection to the industry, namely, that Government should give subsidies by getting more money by increasing the income tax. If you like, we will discuss that question.

Q. I propose to discuss it later on.

A. The danger of import duties here is that you can sometimes ask for protection because there won't be much opposition from classes which cannot speak out.

Q. I do not want to anticipate the discussion. But don't you consider that there will be considerable opposition from the classes who can speak out if the suggestion that

there should be an increase in income tax to provide subsidies for the mill industry of Bombay is made ?

A. I anticipate it. But there is a less danger of injustice being done to any class of consumers. If the burden falls upon you and me certainly we will kick up a row. If the burden falls upon the poor people naturally it is not our business to kick up a row. That is the safeguard which my proposal entails—against any demand for protection. If the demand is reasonable and everybody is convinced, then we shall be ready to tax ourselves.

Mr. Ginwala.—Besides, it is more equitable, because the man will be able to pay more.

Raja Hari Kishan Kaul.—If you completely shut Japanese imports, will not prices rise ?

Mr. Joshi.—Prices will not rise very much, although after a time they may rise in certain kinds of cloth.

Q. There will be no check on them ?

A. Our markets are still open for other countries.

Q. Taking it for granted that the bulk of imports which compete with India come from Japan, when you shut out the imports from Japan, will not the prices of the Indian mill made cloth rise ?

A. Japan has driven out some English cloth out of our market and that will come in

Q. That is finer varieties. But most of the cloth that is sold in your markets consists of coarser counts.

A. True. But the cloth which is really kept out by Japan is the English cloth generally.

Q. But don't you know that cloth manufactured of finer counts by the mills is at present selling very well. But the cloth made of coarser counts is lying in stock. It cannot be sold.

A. Other countries are not to-day importing these varieties because Japan is competing. If they find that Japan is not competing, they may begin to export these very varieties ; and in the second place, we are prepared to take that risk of the prices rising to some extent because we feel the rise will not last long. This prohibition will not last long. Japan will come to terms within a very short time. It is more effective although it involves some sacrifice.

Q. You do not mind the prices rising to a considerable extent during that period ?

A. I do not say the rise in prices will be very considerable. But still I do not mind that sacrifice as I know that it will come to an end very soon.

Q. What do you mean by ' Very soon ' ?

A. Japan will have no other way open. If she wants Indian trade, she will have to do this. She will have to improve her labour conditions which she will do because she has to do it after some time. We are not asking Japan to do a thing which she is not willing to do. We are only asking her to do one year earlier a thing which she proposes to do one year later. If our demand is reasonable and small, she will yield.

President.—I suppose you are aware there is an amended Factory Act in Japan, Mr. Joshi, which came into operation on the 1st July ?

A. Yes.

Q. What do you consider the effect of that will be ? Have you studied it ?

A. I do not remember now the details of the amended Act.

Q. *Mr. Subba Rao.*—In reply to Question 107, you say " and in case all the Japanese imports are subjected to an additional import duty the check exercised by them on the prices of Indian yarn and piecegoods will be gone and the Indian millowners will take advantage of that to increase the prices of their goods. " It has been put before us that the results might be the other way about. Being sure of the Indian market and being sure of the end of the cut throat competition or the undercutting policy of the Japanese, the mills can produce a much larger quantity of yarn and cloth and extend their production and thereby bring down the prices. Why do you hold that the prices necessarily go up ?

A. Because we cannot produce sufficient quantities now.

Q. But so far as the Japanese are concerned, it is not more. The mill capacity is slightly larger than the present production. Is it not possible that if the Japanese goods are kept out of the country the mills may extend their production and bring down the prices ?

A. Not under the present circumstances. But after two years when the production becomes much larger it may be so.

Q. But you don't think that under the present circumstances when we are actually importing as much as we produce, that effect will be felt ?

A. The internal competition will not begin to come into existence for some years to come, till the production increases very much beyond the present limit.

Q. Where would you fix the limit ? How many years ?

A. I cannot say when it will begin.

Q. You expect an immediate rise in prices with every check of the Japanese goods ?

A. Yes.

Q. And you cannot say how long it will go on ?

A. I cannot say ; it will take a number of years.

Q. But is it not a fact that the mill capacity for production is slightly in excess of what they actually produce now ?

A. That is true ; but whether it will have an effect of checking the rise in prices is a different thing altogether. Is it not ?

Q. I want to get your views.

A. My view is that the production will not increase to such an extent as to have an effect of checking the rise in prices.

Q. The additional quantities you want is 150 million yards. That is about 1/20th. The capacity of the production is 5 per cent. more than what they produce now.

A. But we are not putting an import duty only on the Japanese goods. There will be import duties on all goods.

Q. Suppose it is merely on the Japanese goods or goods that compete from Japan ?

A. You mean if we put a duty on Japanese goods alone ?

Q. Or it may be on kinds of goods produced by Japan. Then what will be the effect ? You will have the English imports free as before.

A. Then the rise will not be as high as otherwise it would be. That is true.

Q. Then it will be possible for the Indian mills to overtake consumption and produce the kinds imported from Japan ? That is possible ?

A. Yes ; that is possible.

Mr. Ginwala.—At present the millowners say that they are able to produce cloth at Re. 1-2-0 per pound and Japan sells at Re. 1, and they actually make a loss of 2 annas a pound. Your suggestion is that at present Japan sends 150 million yards against 2,000 million yards of Indian cloth and therefore there is a surplus power in Indian mills. Therefore we may be able to manufacture the additional 150 million yards without any fear of rise in prices. That is the case put forward by you. My reply is that at present the millowners themselves say that through the Japanese competition they are losers and the stuff which the Japanese sell at Re. 1 they sell at Re. 1-2-0 and therefore when Japanese goods are shut out automatically at least the prices must rise, at least by 2 annas.

Q. You say that they are making losses and they are bound to cover the losses by raising the prices ?

A. Yes.

Q. You prefer prohibition on the supposition that Japan will immediately come round and will improve the condition of labour early ? If you look at Table 19 F of the original statement of the Bombay Millowners' Association, you will find that the exports to India are about 14 per cent. of the total exports ; and do you believe that Japan cares to increase the cost of production of the total manufacture of cloth for the sake of her trade with India ?

A. *Mr. Joshi.*—I think so. After all, what we are asking for is not very much. We are asking a thing which they have to do very soon.

Q. But that would affect the cost of production of the total quantity of manufacture and they would not find it possible to compete in other countries and therefore your supposition that Japan may expedite the reformed working conditions may not turn out to be true.

A. No ; because on the whole the cost will not be very great and Japan knows very well that they have to incur this cost. They have to make this improvement.

President.—But do you seriously think—I think the point is really of academic interest—but do you really seriously consider that the Japanese, whatever may be the opinion on the merits of the case, would be prepared to take a step of that kind at the dictation of India ?

A. That depends upon how we put it.

Q You could not put it more plainly than by the prohibition of the import of Japanese goods.

A. If you simply put it on the ground on which I have put it, namely, as a thing which they themselves propose to do. They don't say that they are not going to do it or that it is not right.

Q. There is a great deal of difference between doing a thing as the result of gentle persuasion and doing a thing because you have got a pistol at your head. Seriously do you think that the Japanese are a nation that would do this because we said "if you do not, we prohibit your goods coming into India" ?

A. I do not think that Japanese will ever come to such a point, that we shall have to do such a thing. But if we put our case before them and say "here is our trouble", she will be willing to negotiate. I am quite sure of that.

Q. *Mr. Subba Rao.*—It is negotiation and not prohibition.

A. I don't bar negotiation. I would first have negotiation and if only Japanese know that our troubles are real and we shall have to resort to a drastic remedy, certainly they will yield. That is my belief. I do not think this drastic step will be necessary to take at all.

Q. *Mr. Majmudar.*—Suppose the Japanese do not agree ; then ?

A. Then we shall have to take this step, certainly.

Q. And in the meanwhile conditions will remain as they are, so far as the mills are concerned ?

A. Yes.

President.—The first point is that negotiations take time. What are you going to do in the meantime ?

A. We have been going on for the last 50 years and I think we may go on for some time. We have not yet come to such a crisis that if something is not done within two or three months, the mill industry will stop. Nobody has yet said that.

Q. There is one question about this export duty on cotton, Mr. Joshi. Do you consider that it is in India's interest to encourage the export of cotton to Japan, even though such export may react unfavourably on the prosperity of the mill industry in India ? That is a point of view which has been urged before us.

A. I am not thinking of encouraging export. But I won't give any bounties to encourage export of cotton. I don't mind cotton production being a little restricted, if we cannot export on equal conditions. But I won't give any encouragement to export cotton. But what is proposed perhaps is the discouragement.

Q. The export duty on cotton will certainly be a discouragement. Your view is that whilst there is no necessity to discourage, there is no necessity on the other hand to do anything to encourage it ?

A. Yes.

Q. The only other point I want to raise is your reference to the reorganisation of the industry. It is a very big term. I am not quite clear what you mean by it.

A. Reorganisation of the industry consists of several things. We have just indicated that according to our view the present system on which the industry is based—the capitalist system—is a very wasteful system.

Q. Assuming that the capitalist system is going to remain as it is, can you give us an idea of what you mean by reorganisation ?

A. Then we shall certainly stop the present agency system. We shall introduce managing directors. That we consider to be an improvement, although we do not suggest that it will bring about all the improvement. Then we shall certainly have some kind of method by which labour will have some voice in the management. You may make some beginning by having works committees with more powers than are at present given. You must make a beginning and that is one of the items of reorganisation. Then comes the co-operative purchase of cotton, co-operative sale of goods. That may give some advantage and we consider that it is also one of the items of reorganisation. Then we shall cut down the salaries of the big officials, because we feel they are overpaid. I can suggest methods like these. But unfortunately we have not worked out all these details because we feel that the Tariff Board is not going to make radical recommendations on the lines we want them to make.

Q. That is hardly the purpose for which the Tariff Board exists.

A. That is true. But at the same time recommendations which seem to us very radical are being made by Boards like these in England, which to-day seem to be radical here. You know yourself that the Sankey Commission did recommend the nationalisation of mines. Perhaps ten years before that Commission was appointed, nobody thought that a committee appointed by Government would recommend nationalisation.

Q. But the recommendation was not adopted. It has not yet been adopted.
A. But I am quite sure that it will be adopted.

Mr. Ginwala.—I think the human element is not taken into consideration in the matter of efficiency of the workers or producers. That can only be done by good housing and good technical education. That is the crux of the whole question. The producers have produced; they reduce the cost; but the millowners do not agree to increase the efficiency except patching a hole there and a hole here.

(*Continued on September 1st, 1926*)

President.—We now come to the general question about labour, Mr. Joshi. There is just one point that arose yesterday to which I should like to refer. We were discussing the comparative efficiency of Indian and Japanese labour. I have got some figures worked out here which show that in 1913 there were about 56 operatives to a thousand spindles in Japan, in 1914 there were 48, and in 1924 there were 37. Does not that show that Japan is making rapid strides in its labour efficiency?
A. I do not know these figures at all in the first place. In the second place, if labour efficiency means the responsibilities of labour it is not proved by these figures.

Q. It seems to me, Mr. Joshi, that you do not admit that figures prove anything?
A. You cannot prove anything about the efficiency of labour unless you take all the factors into consideration. Suppose in Japan the employers make an effort to make the labour efficient giving them an opportunity of doing better work, that is all right. If it is not so in Bombay, the labour in Bombay may remain to outward appearances inefficient, but the responsibility is not on the labourers. It does not prove that labour is not capable of being improved. Unless you prove that great efforts were made in Bombay to see that a smaller number of people could do the same quantity of work day by day, then certainly you cannot say that Bombay labour is incapable. What is really required is the proof that all circumstances were the same.

Q. I take it that you have read the Millowners' representations, Mr. Joshi?
A. Yes.

Q. The Appendices?
A. Yes.

Q. You will have gathered from that that there are some widely divergent views as to the conditions under which labour works in Japan. There is one view that holds that these conditions are Arcadian so to speak and another that holds that it is very much the reverse.
A. Here we are not discussing other labour conditions.

Q. You say that it all depends on various factors. You say it depends on the conditions under which labour works, conditions of housing and general conditions of environment and that these react on efficiency—a point on which I entirely agree with you. There is no doubt they do. But my point is that you will see from these descriptions which have been attached to the Millowners' original representation that there are varying views on the question of environment in Japan.
A. On the contrary the Japanese say that they are making greater efforts to train their workers. It may be denied by the millowners.

Q. We pass on now to your general views on labour conditions in Bombay.
A. But before we leave this efficiency question, if Indian labour is to be tested in the matter of efficiency, I would like an experiment to be made and I would like about a dozen people either spinners or weavers to be taken from Bombay to Lancashire or Japan for about a few months time, say for four months. If, after four months, the Indian workmen do not produce what the workmen of England or Japan are producing in their countries I shall admit that the Indian workman is inefficient. We hear so much about inefficiency. Then, why not make an experiment? It may not be the business of the Board.

Q. I am not quite sure in what light the Lancashire people or the Japanese would regard your proposal.
A. We are not competing. We are simply testing the capacity of our people. But unfortunately as labour in India is not properly represented, I may say, unrepresented, undefended, we can make statements about efficiency and inefficiency without being contradicted, and when these statements are being made in the interests of labour, if you can persuade the Government to make an experiment on the lines suggested by me it will do a great deal of good to the industry and to the labour. If it is proved that our workmen can do the same work as the Lancashire people then the fault does not lie with the labourers. If it is proved that our workmen taken to Japan and asked to work under Japanese conditions do not produce less than the Japanese, then the fault does not lie with our labourers. It is worth while enquiring.

Q. Speaking generally, where do you consider the fault does lie ? There is no doubt that under present conditions Indian labour is not as efficient as Japanese. To what is that inefficiency due in your view ?

A. These figures I have not tested. But I have no grounds also to say that the figures given by some people are right or not right. I do not express any opinion as regards their statements. I do not accept them. I do not say I disprove these figures. If they say anything about the inefficiency of labour it really means that Indian labour is incapable of doing more work. I do not want that implication to be drawn from the word 'inefficient.' That implication is always there that Indian labour is inefficient, that Indian labour is incapable of producing more. If the implication is not there I do not dispute the figures given.

Q. At any rate your experiment would be an interesting one.

A. It will be a very fair one because then people will be able to make correct statements about efficiency and inefficiency of the Indian workmen. There is a book written by Rajani Kanta Das about Indian labour in the Pacific. There are Indian people working in the United States. He has made a report and he has found there that Indian labour is not inefficient compared with other labourers.

Q. You object to the system on which mill labour is recruited, Mr. Joshi ?

A. Yes.

Q. You consider that head jobbers and jobbers have too much power here ?

A. Yes.

Q. Do you consider that the mill agents should recruit their labour directly.

A. They can ask Government to start Public Employment Bureaus as there are in Japan. In Japan there is also the recruitment system. A great deal of evil can be removed if the millowners directly employ labour who go to their gates for employment.

Q. But is not that done now to a large extent ?

A. Well, generally the man is taken in through a jobber.

Q. There is a great deal of recruitment done at the mill gates. Is there not ?

A. I cannot say really to what extent it is done at the mill gates.

Q. You know that this is another system which has grown up with India, this system of recruitment through jobbers.

A. The sooner you get rid of it, the better.

A. *Mr. Ginwala.*—In the railway workshops the recruitment is made direct. There is no jobber there. If the railway companies can get 5 to 7 thousand men direct, why can't the mills get 3 to 4 thousand men ?

Q. It is a question of getting 150 thousand men and not three or four thousand.

A. I am talking of such a mill. In Bombay the G. I. P. workshops employ from 15 to 20 thousand men, the B. B. & C. I. workshops employ about 5 to 6 thousand men. So, they are able to recruit 30 to 40 thousand men without this system of recruitment. If they can do so, why cannot the millowners do so ?

A. *Mr. Joshi.*—Moreover during the last two or three years it is claimed by the Bombay millowners that there is a great depression and that mills are closing down. Where is then the difficulty in recruiting ?

A. *Mr. Ginwala.*—This is a vicious system that they do not want to give up.

Q. You say the budli system is encouraged by officials. I do not understand how that can be so. It is obviously not a system that tends to efficiency. Why should it be encouraged ?

A. Encouraged in this sense, that they dismiss people without reasons, and then they have to take new men.

Q. I do not see how you can regard this one quotation that you give as showing that the budli system is encouraged by officials. What happened according to your own letter is that this man was discharged. He was first given a notice that he would either be discharged or relegated to the inferior rank of budli.

A. *Mr. Bakhale.*—Budli is not an inferior rank.

Q. A substitute weaver is obviously in an inferior position to a regular weaver ?

A. In what respects ?

Q. In the respect that a regular weaver has a regular job but the budli is doing somebody else's work. There is a considerable difference ?

A. *Mr. Joshi.*—Where is the necessity of keeping a budli ?

Q. That apparently is due to the fact that there is so much absenteeism.

A. We will go into the question of absenteeism later on. But if there is enough labour in Bombay to-day as it undoubtedly is, the mills should keep in their regular employment a certain number of workmen in order to avoid the employment of a temporary 'badli.

Q. As I understand your argument what the millowners should do is to discharge everybody who is ever absent and get people who are absolutely regular.

A. No. Keep together some people permanently on the staff.

Q. They have got people permanently on the staff.

A. As Government keeps a regular additional staff in order to meet the deficiency caused by leave.

Q. We have been told that the millowners have a regular staff, that they employ about 10 per cent. extra owing to this absenteeism. In addition to the budlis they have 10 per cent. more than they need.

A. *Mr. Ginwala.*—The same remark applies to the railway workshops. There is also absenteeism in the railway workshops. But they do not encourage the budli system at all. Besides they have got privileges of leave, etc., which are absent from the mills. There is no regular leave in the mills. They are not entitled to the 30 days privilege leave or sick leave.

Q. You say people in the railway workshops get a month's leave on full pay, Mr. Ginwala ?

A. Fifteen days leave.

Q. You are quite certain of that ?

A. Absolutely certain.

Q. Then, it is your view that conditions in the railway workshops are .....

A. Infinitely better. They have an eight hours day. Then bonuses, provident funds, gratuities, leave passes and all sorts of things.

A. *Mr. Joshi.*—There is no comparison between railway workshops and Bombay mills.

A. *Mr. Ginwala.*—Compared to that this is regular slavery. Compared to the railway conditions this is regular slavery—from morning to night.

Q. Railway workshops have no difficulty in recruiting men ?

A. *Mr. Ginwala.*—No, on the contrary, they are discharging men.

Q. Why should they discharge men ?

A. Because they want to reduce the staff.

Q. You say there is considerable unemployment prevailing in the city. To what extent ?

A. *Mr. Joshi.*—I cannot say to what extent. There is unemployment. You can see that from the number of people who come and ask us to find them employment.

Q. Very few mills have actually closed down ? I think not more than one or two not working at the moment ?

A. I thought there was great depression in the city.

Q. There may be great depression, but the depression has not yet shown itself in the closing of mills. There are not more than four mills closed down I believe ?

A. *Mr. Ginwala.*—That will bring down ten thousand men out of employment.

Q. There are certainly not ten thousand men in these four mills. I should say not five thousand at the outside. That is a very liberal estimate.

A. *Mr. Joshi.*—The number of men engaged is also reduced even if the mills are not closed. There are some mills from which we got some complaints about the reduction of men.

Q. A certain amount of spinning machinery is lying idle.

A. The number of men engaged on the same machinery is also being reduced.

Q. In fact mills are endeavouring to improve the efficiency of their labour.

A. But that is a different matter. We do not dispute that.

Q. It may be for the time being.

A. Yes; for the time being there is unemployment.

Q. You object to the Millowners' taking 1910 as the basis for the comparison of wages. You say they should take 1914. If they take 1914 does it make very much difference ?

A. They take 1914 according to their statement and say they have given an increase of 80 per cent.

Q. The figures can easily be worked out We can work them out for 1910. It is a matter of minor importance.

A. It is not a matter of minor importance.

Q. What I mean by a matter of minor importance is that we have got the figures. If you see Appendix III to the Millowners' replies to our Questionnaire, you see they have given us the figures and we can work out the actual figures ourselves.

A. *Mr. Ginwala.*—What is their case? If they say that the wages have increased by 80 or 100 per cent., it comes to this. At present a spinner gets Rs. 25 and if the wages are now increased by 80 per cent., that means that in those days he used to get 15.

Q. There are the figures. They are all there.

A *Mr. Joshi.*—In Appendix III they give a statement and they say "Standard Muster." I should like to know what you yourself understand by "Standard Muster."

Q. I understand the regular wages which have been paid on that date.

A. Am I to understand that the majority of the people, blow room tenters—are being paid for 29 days?

Q. I presume so.

A. I would like to see the muster.

Q. What are your figures?

A. I will give you some figures from one mill. Here I have got some figures about blow room tenters for 1925. The head jobber we can leave out, the Assistant we can leave out.

Q. *Mr. Majmudar.*—Can you give us an idea of the size of the mill?

A. The name of the mill also I can give. There the oiler is paid Rs. 19; mixing coolies Rs. 17, finishers Rs. 18.

President.—Blow room tenter?

A. Rs. 17.

Q. *Mr. Majmudar.*—Is that the standard wage to which in addition 70 or 80 per cent. is added.

A. This statement is copied from the figures given by the mill in January last.

Mr. Bakhale.—They supplied me these figures just to convince me that their wages were higher than others and these were the columns put here.

President.—If you can give us the figures we shall go into the question.

A. There is another mill. Let us take the Khatau Makanji Mill. The mixing coolies are paid Rs. 17; finishers Rs. 18; spreaders Rs. 17; intermediate Rs. 17; opener Rs. 17; separator Rs. 11-9-0; thread extractor Rs. 19 and so on.

Q. What does the Century pay?

A. Oiler Rs. 15; mixing cooly Rs. 14; extra Rs. 18; openers Rs. 14 and extra 9.

Q. What is extra?

A. *Mr. Ginwala.*—Extra is bonus.

Q. *Mr. Subba Rao.*—Have you got the figures for weavers?

A. They have not given the rates for weavers.

Q. Do you mean to say that the Khatau Makanji mills supplied you with this estimate to show that their's were the highest wages in Bombay?

A. *Mr. Bakhale.*—Yes.

Q. Did they give a letter to that effect?

A. I once went to see the manager and he told me that. I will look up my files.

President.—If you would, we should be glad to have it. It is a point of considerable importance.

Mr. Joshi.—Moreover there is another point. Here they have given the wages in this statement. I want to know whether they have given any statement of the wages which exist today, because since January wages are being reduced in various directions and in various ways.

Q. This statement in Appendix III are the wages paid by the Bombay Dyeing and Manufacturing Company.

A. They give them for 1923.

Q. We understand that it was the latest figure and there has been no change since then. You say there has been a change?

A. Our information is that there are several mills in which wages are being reduced now and during the last few months we had to deal with several cases of complaints.

in which we had found that wages had been reduced. We will quote some figures of wages being reduced substantially.

Q. Yes. Do. The more figures you can give us on the point, the better.

Mr. Bakhale.—Only last night I got this information from a mill. The workers went on strike yesterday at 10 o'clock.

Q. Are they still on strike ?

A. I asked them to resume work to-day and we are negotiating. I do not know whether they have gone to work.

Mr. Joshi.—One jobber got Rs. 119 last month. In August he got Rs. 133. The workers themselves gave these figures to us.

Q. The jobbers are a very small proportion. Have you got any figures showing that the wages of the actual spinners and weavers are being reduced ?

A. In the Khatau Makanjee Mills they have been reduced; they have made a reduction in February last. That has also appeared in the Press.

Q. Don't you keep any record of these reductions ? It would have been very useful.

A. *Mr. Bakhale.*—So far as the Khatau Makanji Mills are concerned, the record is there.

Mr. Joshi.—There was a dispute in the Khatau Makanji Mills and they themselves prepared a statement of wages and we copied these figures from that statement and if the Board likes we will send any information about further reduction this year.

Q. That is what we want.

A. As far as we can gather from the complaints that we received, during this year wages are being reduced.

A. *Mr. Bakhale.*—I will give you a case of the Indian Mill. They have put up a new variety of cloth on about 400 looms, and the rate they have fixed is such that their wages go down by about Rs. 8 per month. Only when the new variety is put up on one loom only the reduction comes to about Rs. 8. There are some cases in which the new varieties are put on both the looms; there the worker suffers by about Rs. 16.

Q. Have you worked out what it actually means to him ?

A. Yes. I will take an example. The new variety they have put up is this—a cloth of 24 counts and 32 pick. The rate is 9 pies per lb. He will produce about 12 lbs. a day. That means he gets 9 annas per day. Formerly when they were having another variety with 40 counts and 40 pick, the rate was 15 pies per lb.

Q. *Mr. Majmudar.*—I could not hear you.

A On the old variety with 40 counts and 40 pick they were getting Rs. 20 a month per loom. On the new variety with 24 counts and 32 pick they get 9 annas a day.

Q. Have you got the numbers of those qualities ?

A. You can get all the information from the mill; so that the difference between these two varieties is about Rs. 8. Another complaint is that the workers are not informed of the reduction of the rates that they would get on the new variety. They come to know it only on the pay day; or if they engage a substitute and if he is to be paid during the course of the month, then only they know that the rate is very low.

Mr. Joshi.—This is yesterday's case about the Indian Mill. They did not know that they were going to get less wages for the month.

Mr. Ginwala.—One broad fact that was brought to my notice is this; that formerly the weavers got Rs. 50 and now they get only Rs. 37. That shows the difference.

Mr. *Bakhale.*—Take another mill—the Emperor Edward Mill. For the same kind of quality with the same counts and the same pick the rate was for that particular variety 12 pies, now it is reduced to 8 pies. For another variety the rate is reduced from 11 pies it is reduced to 7. For khadi it is reduced from 6 pies to 4 and this is done without notice, and the same kind of quality is produced there.

Q. *President.*—What we want really to know is exactly in how many mills have you been informed of the reduction in wages since 1923 for that matter or at any rate since the beginning of this year ?

A. Our information is not so very exhaustive.

Q. That may be so. But how many cases have come to your notice ?

A. The Khatau Makanji, The Emperor Edward, the India Mill. And complaints generally come from several mills. Individual workers come and tell us.

Q. I want to know from how many mills you have had complaints. It is a matter of interest to us. We want to know whether there has been a general movement amongst the mills in Bombay to reduce wages.

A. That is our impression.

Q. It may be your impression. But impressions are not useful to us. We must have facts.

Mr. Joshi.—We are making enquiries and we will send you a statement. We have given you some information today and our difficulty in the case of millowners is they are not acting together when the wages are to be cut. But each one is allowed to reduce separately. If they standardise wages, the position of the workers will be greatly relieved.

Mr. Subba Rao.—That is different. You spoke of reduction during the last two or three years. You must give figures. Beyond these have you got any other facts? After all three in the course of two years is not a very big number. If you have any more, please let us know.

Mr. Bole.—How can we give figures for 1923 and 1924 when there was no Union working?

Q. When did you start?
A. In 1926, January.

Q. *Mr. Majmudar.*—If you tell us which mills have reduced wages we can write to them.

A. *Mr. Joshi.*—Yes we will do so. If the millowners had not opposed the Statistics Bill we could have got the figures. But the millowners opposed the Bill and we do not get the figures. Otherwise it would have enabled Government to get correct information about wages as they get in other countries; but they prevented it. Mr. Lalji Naranji and several others opposed.

Q. You say it is very unfair to compare the present wages with the prewar level and say that they have risen over 100 per cent. Why is it very unfair?

A. Because even the Labour Bureau admits that it was not getting reliable information about wages in prewar years and in the second place even if we grant that there has been 100 per cent. increase, which I do not grant, we have to compare whether those wages in those times were adequate. If the wages in those days were not adequate and were very low, to merely state that the wages had gone up 100 per cent. does not mean that the labourers are paid high.

Q. Has there been in the history of the world any case when the wage earner regarded his wage as adequate?

A. But how can the millowner regard it as adequate?

Q. Did you make a study of the subject in 1914?
A. Yes; I used to work in Bombay at that time.

Q. And is your conclusion that in 1914 the wages were not adequate based on your study of the data verified in those days?

A. Yes; that is the impression which I gathered.

Mr. Bakhale.—Mr. J. A. Wadia has stated that.

Mr. Joshi.—And the figures themselves show Rs. 9, 12, 13. They are their own figures.

Q. As regards the cost of living you say it is doubtful whether the increased house-rent has been taken into account.

A. I see Mr. Gennings here.

Mr. Gennings.—Which index is that?

A. *Mr. Joshi.*—The cost of living index. Has the increased house rent been taken into account?

Mr. Gennings.—Yes, that has been taken into account.

Q. Yes; I think the figures in the index are a little higher.

Mr. Joshi.—How did they find the figures?

Mr. Gennings.—There was a special rent enquiry.

Mr. Joshi.—Throughout the Bombay City?

Mr. Gennings.—It was a sample enquiry.

Mr. Joshi.—How many houses were enquired into?

President.—I do not think we can have an examination of Mr. Gennings now.

Mr. Joshi.—What I want to know is this. If the Labour Office makes a statement that they have included the higher rate, it is proper that we should know how the figure was arrived at.

Q. Perhaps Mr. Gennings will be good enough to let us know later.

Mr. Subba Rao.—The data has been collected from the *Labour Gazette*. The new number is based upon 17,000 houses containing 9,000 working classes and 8,000 middle classes. It is fairly representative if it is based upon such data.

A. It all depends upon whether it is representative or not, whether it has been worked on a proper sample method. If it is done on a proper sample method, it is allright. We must know exactly how the sample method was followed because everything depends upon that. Recently I had a talk with Mr. Gennings about an enquiry which he is making and he told me that he was going to follow the sample method. I asked him how it has been selected. He told me that the Millowners' Association have sent him a list and that is his sample. Certainly we as Labour representatives will not accept that as a sample. So everything depends upon how you select your samples. It is true we cannot supply with figures; but it is also true that these figures which exist to-day are not reliable.

President.—You have to use the existing material, in the absence of perfect material as the best you have got.

A. How is it to be decided whether it is the best?

Q. That is not a matter for us to discuss now.

A. But I would like the Board to consider this. If the Board is going to make some statement about wages and efficiency, it is necessary that those figures should have been arrived at in a scientific manner. Otherwise certainly we cannot admit them.

Q. It is your conclusion that, on the basis of the present figures, the conclusion would be unfavourable to the Bombay labour? Do I understand that that it is your view that the inference to be drawn from the figures at present before us is bound to be unfavourable to the Bombay labour?

A. Not necessarily if you interpret the figures properly. But any inference as the mill owners have drawn is unfair. They have drawn unfair inferences from the figures which are given. I won't draw myself unfair inference.

Q. Because you would not use the figures at all. You say they are all incorrect and therefore you won't use them.

A. Yes; I won't use them generally for very serious matters.

Q. What figures are used for serious matters?

A. My standpoint is that to-day the figures are not available.

Q. Therefore you have got no data to go on at all?

A. We have no data to go on serious matters. For mere discussion the present figures may be enough. We may use them. But if any serious conclusion is to be drawn from them and to say that wages should be reduced and so on, I don't use them.

Q. *Mr. Subba Rao*.—They are as good as academical toys?

A. Yes; so much depends upon the figures. The life of the people depends upon them and I won't use them.

President.—We now come to the question of fines. For what purposes are the funds used in the mills? Are they debited to the general revenues so to speak or are they put aside for the benefit of the operatives?

A. General revenue purposes as far as I know. It is not like railways where they keep a separate fines fund and then use it for the benefit of the workmen.

A. *Mr. Ginwala*.—Not for the benefit of the poor workmen, but for the benefit of the Anglo-Indian staff.

Q. We are not discussing that question now.

A. Mr. Joshi seems to convey that it is for the benefit of the ordinary workmen.

A. *Mr. Joshi*.—Here I do not think they keep a separate fines fund. There is one matter about this fines fund which I would like to bring to the notice of the Board, and that is about the fine itself, in the way of handing over to the workmen spoilt cloth. My information is this deduction in wage is included at least in one mill in a debit given to the man under "Stamps and Charity". There are some heads like that.

Q. *Mr. Majmudar*.—It is not that it is debited under that particular head but as they might not have a head "spoilt cloth" they might have simply put in the figure without crossing out the printed head in the schedule.

A. They have a regular heading for "Stamps and Charity" and these deductions are made not certainly under "Stamps" but certainly under "Charity". Why should they have a heading for charity?

A. *Mr. Bakhale.*—The clerk might make a mistake in one or two cases. We have 23 cases. It is a printed slip. They give it on the day previous to the pay day to the workmen.

A. *Mr. Joshi.*—Why should "Charity" be printed. There cannot be "Charity" in every month.

A. *Mr. Bakhale.*—These are cases in which cloth is given to them.

A. *Mr. Joshi.*—Rs. 8-6-0 was deducted out of Rs. 38 in one case.

A. *Mr. Bakhale.*—It was Rs. 74-4-0 in one case and Rs. 39-8-6 has been deducted under "Stamps and Charity". In another case the wages were Rs. 73-3-3 and Rs. 39-11-6 were deducted for "Stamps and Charity.'

Q. There must be some meaning ?

A. *Mr. Joshi.*—The meaning is that the spoilt cloth is charged....

Q. Have you got other instances ?

A. If a man gets more than Rs. 20, one anna will be deducted for stamp. I can understand that. But why should "Charity" be printed here ?

Q. *Raja Hari Kishan Kaul.*—You are sure it is not a mistake in printing ?

A. *Mr. Bakhale.*—In all these cases the workers told me that these amounts were deducted on account of the spoilt cloth handed over to them.

President.—We will discuss this with the Millowners' Association when they come up again.

A. *Mr. Joshi.*—Then if we take this item of spoilt cloth, if the wages given in the statement have not shown this deduction from the wages there is a further vitiation of figures.

Q. I do not suppose if you take the whole amount of these deductions they come to any appreciable item ?

A. We have given it.

Q. You have given a few instances, but even if they amounted to four or five thousand rupees a month it is a very small proportion of the total cost of labour. A few hundred rupees at the out side ?

Raja Hari Kishan Kaul.—The whole amount deducted is not fine. After all the cloth is saleable ?

A. Yes.

President.—I am not defending the system, Mr. Joshi, but my point is that the contention you have at present made is that it should be taken into account in working the average rates of wages. It would not make much difference even if it were.

A. We have quoted Professor Burnett-Hurst showing that these fines amount to 8 to 10 per cent.

Q. Eight to ten per cent. on the total charges ?

A. Yes. He has made a general statement and has given the experiences of a factory inspector.

Q. The statement as made by Professor Burnett-Hurst was that the Factory Inspector said that it was exceptional for fines to be levied and on the average they only formed 8 to 10 per cent. of the earnings. The inspector seems to have a curious idea of what is exceptional and what is not ?

A. It is a casual remark. It only requires enquiry.

Q. We next come to your suggestions that mill wages should be standardised. Do you want the standard fixed in consultation with the workmen ?

What are you going to take as your basic wage ?

A. That might be fixed by negotiation.

Q. Who will negotiate on behalf of the workpeople, Mr. Joshi ?

A. We will find out some method. It is not quite impossible. I admit it is rather difficult.

Q. The point I was going on to place before you is that if you have got standard wages with a sliding scale, do you think the mill workers would accept the sliding scale ? The bonus given them in the prosperous days, was in fact a sliding scale. When it was removed as circumstances which justified it or led to it were no longer in existence there was a strike immediately. What guarantee is there that the same thing will not happen if you have a sliding scale ? The minute the scale went down there would be the contention that the cost of living figures were not correct. That is one contention. But at any rate the minute you put the sliding scale down there will be the cry that

there is reduction in wages. Do you consider that a sliding scale of wages is possible in the present conditions of Indian labour ?

A. I can only give a negative reply that it is not impracticable. If we do it under proper conditions, I think it is possible.

Q. If you do it under proper conditions ? What do you mean by proper conditions ?
A. If the basic wage is properly fixed. If there is a real lowering of the cost of living people will accept. But the bonus was stopped not only for the cost of living but on the ground that the mill did not make profits.

Q. The cost of living has also gone down according to the figures—which you would not accept. You say you are not satisfied with the index figures for the cost of living. Would you ever be satisfied ?
A. If the figures are really correct.

Q. I cannot help wondering, if the people you represent would consider they were correct if they were held to justify a reduction in wages ?
A. But standardisation and sliding scale need not always go together.

Q. I quite agree. I was about to come to that. Is standardisation necessary to a sliding scale ?
A. Yes. Standardisation is necessary, but standardisation need not be followed by a sliding scale.

Q. You realise the difficulties in the way of standardisation, Mr Joshi ? You know quite well that some mills have older machinery than others. Therefore they may pay either the same rates of wages which will work out less or they may pay a higher rate of wages.
A. Will it not be a detail of the standardisation ?

Q. I doubt it myself. I do not know whether it will be practicable—I am not an expert in these matters—but I think it is extremely difficult to work out a standard rate of wages according to the age of the machinery.
A. Not exactly the age of the machinery. It will also be a sort of discouragement to the use of old machinery if the rate is fixed on the basis of good machinery.

Q. But if the mill is prepared to pay a higher rate for its old machinery why should it not do so ? Why should it necessarily scrap the old machinery if it can use it at a profit by paying a slightly higher rate of wages ?
A. Difficulties may be increased if the machinery is really different but still I do not think it is impossible to put down some classification of machinery and standards.

Q. Of course, Mr. Joshi, both you and I would be in a better position to discuss these matters if each of us had done a year in a mill.
As regards these chawls you say some of these chawls are as bad as those owned by private landlords. Can you give us the names of these chawls ?
A. Yes.

Q. Will you also let us have a list of the mills in Bombay which are doing welfare work ? It is of course easy to make out a case against the millowners under this head but would you be prepared to admit that the welfare work in Bombay is rendered somewhat difficult, to say the least, by the congestion in the mill area ?
A. Yes, it is true.

Q. The upcountry mills have much better opportunities in that respect ?
A. Yes.

Q. You mention that the superior staff of the mills is very highly paid and there are many posts on fat salaries which are not necessary at all for the efficient working of the mills. Have you any reason to believe that the millowners in their own interests would not scrap those posts in the present condition? What sort of posts on fat salaries are you referring to ? It does not follow that because a man gets a good salary he is not worth it. The very fact that he has got a good salary does not show that it is unnecessary ?
A. It all depends upon whether you can get men properly qualified for the post or not for a less salary.

Q. You presumably hold that you can. The millowners who know more about it than a lay man hold that they cannot. There it is.
A. Of course the difference remains.

Q. We now come to the question as to what should be done. I should very much like to see this scheme of subsidies or loans without interest worked out in detail. I cannot

myself with the best will in the world conceive of a scheme under which such subsidies could be satisfactorily administered.

A. Subsidies will be more difficult to administer than customs duties. That I admit. But I do not think it is really impossible. Also Government can give them some automatic looms and ask them to work them in a shed, and bear the loss. That is an experiment.

Q. They are being tried already. The millowners are quite prepared to try them if they see any prospect. They are prepared to try them without any subsidies.

A. That is not our view.

Q. In any case looking at it from your point of view, might not automatic looms mean a reduction in labour ?

A. There may be such a reduction, but from the point of the industry as a whole they may gain, and the labour that may be engaged may make more wages. There is no doubt at all that there will be reduction in the number of labourers.

Q. *Mr. Subba Rao.*—Unless production increases ?

A. Yes.

President.—The question is who is going to bear this special direct tax. You say a special tax should be imposed on those who are able to bear the burden ?

A. Well, if the Tariff Board decides—I do not know what it will decide—but if it decides that even the poorest man can bear a 13 per cent. additional tax, the Tariff Board can find out some classes of people who are in a much better position. I do not wish to say which class can bear the tax. I only put a hypothetical case. If they can find a class of people who can bear an additional 13 per cent. duty, the Tariff Board can easily find out a class of people who can bear this burden.

Q. In the one case the burden will be shared by the country as a whole, and according to the Millowners it will be so small that nobody will feel it. In the other case, the tax will be so obvious that everybody on whom it is imposed will realise that they were subsidising the mill industry of Bombay in which they take no particular interest whatever.

A. For this very purpose I am suggesting this, direct tax. People should realise when they help a particular industry, they should do it consciously and deliberately. I do not mind people who pay income-tax on an income of Rs. 2,000 giving out of their Rs. 2,000 even a thousand rupees for the development of the Bombay mill industry or making good their losses. But let it be done deliberately and consciously. Unfortunately it is not done in these import duties. The import duties are not known by 90 per cent. of the people. They do not know that they are bearing the tax. There are many people who are anxious for protection. I am anxious for protecting the industry but I would like that one should know that he is paying so much a year for protecting that industry and the country is paying so much for the protection of that industry. Unfortunately by this customs duty it is not known. If it is done by the method I propose, it will be done consciously. It is true that very few industries receive protection, at least not without sufficient enquiry. Everybody who pays the tax will ask whether that industry deserves it or not, and the Tariff Board may have to sit for one year instead of for three months to complete the enquiry.

A. *Mr. Ginwala.*—Besides, there is another point. The import duty at the rate of 13 per cent. would cost the country much more than the subsidy.

Q. Why should it ?

A. Because, say, India consumes 50 crores worth of cloth, and if 13 per cent. is levied on it it would come to about 7 crores. So, the country will have to pay 7 crores of rupees, while by subsidies you may manage with 80 lakhs or a crore.

Q. I do not quite follow your point. The amount required to assist the industry will be the same in both cases ?

A. I say that by indirect taxation the country will have to pay more.

Q. I do not see why ? The amount required in both cases is the same. Supposing the amount required to assist the industry is, say, eight crores. You can either raise it by a duty or by subsidy, but the amount is the same ?

A. My point is this. At present the millowners say that they are suffering a loss of 1½ or 2 crores. Roughly two crores. That is what they say for the last two years they have been suffering from. Then the country is only required to raise two crores. But if you impose a duty of 13 per cent. the country may have to pay seven crores. It is the difference between the subsidy and indirect taxation.

Q. *Mr. Subba Rao.*—The point is that to cover the loss on Indian mill production you are asked to tax the entire consumption?

A. *Mr. Joshi.*—That is exactly the point. We benefit both the Government and the millowners by import duties.

A. *Mr. Ginwala.*—If the steel industry is to be subsidised, there is no reason why this industry could not be subsidised.

President.—There is a big difference. In the one case you are dealing with one Company only, in the other with 337 ?

A. All the same it can be managed. Which is efficiently managed and which is inefficiently managed we can see and judge by the workmen.

Q. I should very much like to see a Board of sufficient competence to distribute subsidies amongst 337 mills, according to efficiency. You cannot seriously maintain that it is as easy to subsidise the textile industry as the steel industry.

A. There may be greater difficulty but it is not impracticable.

A. *Mr. Joshi.*—That is done in Australia. There are some industries which are subsidised.

Q. Just one small point before I leave you to Mr. Subba Rao, and that is about the payment of mill operatives in arrears. What is the present practice ?

A. *Mr. Joshi.*—They are paid on a particular day, and if the man does not.....

Q. How much in arrears ? Is it 15 days now ?

A. *Mr. Ginwala.*—A month and a half. They get wages not on the 1st of the month but on the 15th.

A. *Mr. Joshi.*—Fifteen days is the minimum and the maximum can be 44.

Mr. Subba Rao.—I thought you said in some mills they announced a change in wages at the time of payment, Your figures show a delay of 9 days.

A. Yes, it may be. It may be from 10th to 15th that they make payment. The minimum is 10 to 15 days and the maximum 40 to 45.

Q. Some of my points have been already covered. I shall take them in a different order and omit whatever is covered already. The first thing I want to say is that you should look at wages from two points of view. There is the point of view of the employer. The wages are an element in his cost and I would like to know to what extent this expenditure has been rising in the past two years. Then we shall turn to wages in their relation to the standard of living, and consider to what extent the wages have risen in relation to the increased cost of living, or to what extent they cannot be reduced owing to the increased cost of maintaining the standard of living. And then if it comes out that the two aspects cannot be reconciled, it will mean practically that Bombay is no longer a suitable place for the cotton industry. That is a possible result of our investigation. But let us take now the facts one by one. In the first place, what we have been trying to get all these days is information about the rates of wages. We get the average earnings or the total amount of wages paid. Could you give us information as to the rates prevalent in the different factories ?

A. *Mr. Joshi.*—The rates vary a great deal not only from mill to mill but in one mill. Take the weaving department. The rates vary on account of the kind of yarn or on account of the machinery being old or new.

Q. Could you give us some data to enable us to make something like a comparison between the wages now and the wages some time ago ? Because unless we get some knowledge of what the rates are now and have been, we cannot say what ought to be a fair rate. I notice you make two statements here. You say that spinners are getting in Bombay less than the weavers whereas elsewhere they get more than the weavers.

A. More or at least equal.

Q. I think you are thinking of mule spinners. Wherever they spin very fine counts they get higher wages. Otherwise spinners get less than weavers. I have got figures here for America. I find the average full time weekly earnings was 19·63 dollars for ring spinners and 23·71 dollars for weavers. I have not the figures for England but I think you will get a similar relation between the earnings of ring spinners and weavers.

A. In Bombay the disparity is much greater.

Q. You say 1½ times ?

A. Yes.

Q. But the figures here do not quite bring out that ?

A. Rs. 29 and Rs. 47, even if you take the millowners' figures.

Q. It is about 19 and 23 ?

A. That is American ?

Q. Yes.

A. If you take the Millowners' answers, Appendix III, you will find Rs. 29 and Rs. 47.

Q. You suggest more or less equality of wages. There are different classes of work. It is the finer counts which require more skill and after all the skilled operatives must get different wages.

A. But the disparity is much greater here. I think the disparity has increased.

Q. It is difficult to say that. There is also another point, that weavers are paid by the piece method and spinners by the day. There is inducement to the weaver to work at a greater rate. I think your suggestion of equality of wages cannot be sustained by the difference in the kind of work to be done. Then the second statement you make is about wages of women, you say their earnings are very low, but that is so all the world over. It is nothing peculiar to Bombay ?

A. Lancashire ?

Q. I am speaking of Lancashire. I have got the average weekly earnings in 1924 and 1925 : Men 46 and 47 ; women 27, 28, 29, etc. There is a big difference there.

A. We never asked that women's wages should be equal to those of the men.

Q. You made still a grievance of the fact that there is disparity.

A. The grievance is that they are low.

Q. That is different. Then you speak of women having separate financial interests. What do you mean by that ?

A. What I mean is a self-maintaining woman, a woman who has to maintain herself. Sometimes when we talk of women's wages it is assumed they are only supplementary. What we mean is that they are not always supplementary. A woman has to maintain a family.

Q. Their case is somewhat difficult. If they are doing a different kind of work, if their work is not worth so much for the employer, is it possible for him to give them the same wages as a man gets for a different class of work ?

A. We are not talking of equality of wages between men and women.

Q. It comes to that. If you want to level up their wages to what height do you want to level it up ? Is it the standard of living ?

A. Yes.

Q. Let us deal for the present with their output. If their work is not worth so much to their employer as the work of other workers, there must be disparity between the wages of women and men ?

A. That disparity will be shown by production. If women do the same work.....

Q. They are not doing so ?

A. But if they do the same kind of work then there should not be any disparity.

Q. For the present, in any case, so far as they are doing different classes of work it is not possible to give them a higher wage. Is it possible from the point of view of the employer to pay a class of workers more than their job is worth to him ?

A. How is it to be decided, what the job is worth ?

Q. By his total expenditure. I will come to that.

A. As a mere proposition, certainly no one will pay more.

Q. We have got to show that their work is worth more ? The next point is this. You give some percentages of wages to the total expenditure of mills and say that it is 1/10th, 1/7th, and so on. But do you admit that since 1914 the proportion of wages to expenses has been increasing ?

A. The proportion of wages to expenditure—if you take family budgets.....

Q. I am taking now the point of view of production, the total expenditure. The employer is increasing expenditure on cotton and wages and the other items of expenditure are also increasing. Cotton prices seem to be varying from year to year. Putting it on one side, if you take the proportion of the total wages bill to the total of other expenses you will find the wage bill has been increasing at a higher rate.

A. I have not studied that.

Q. I can give you the figures. You can take it from several sets of balance sheets. The amount has been increasing, the expenses have been going up. I do not say in the same proportion as the increase in rates. His wage bill has been going up. And if it can be shown he cannot sustain the total increase you have got to find some remedy, either an increased output or a reduction in expenditure—either in wages or anything else.

A. *Mr. Ginwala.*—But what about reduction in other items, in the price of cotton ? If you take the total cost and say that the wages bill has increased, it has been compensated by the fall in the price of cotton. From Rs. 600 it has gone to Rs. 350

Q. So have prices of finished goods also come down. You must compare the selling price with the total expenses. The price of the finished goods minus raw material that is the margin we are now concerned with. The manufacturer is thinking of that margin. If that remains constant and the price falls he is a loser. If both are constant he does not lose. You will find that in Lancashire his profits vary with this margin between the selling price of cotton cloth and raw cotton price. If that cannot be reduced in relation to fall in prices, he will be hard hit.

Then, about the increase in rates. The President has asked you about it and I am not asking any questions about it in detail. But a point has been made that in one of these reports of the Labour Office the wages for the base year, 1914 have been taken from the cash books of the mills and not from the muster roll whereas they have taken from the muster roll for the later years. Therefore the wages in the two years are not comparable because in the one case they give the actuals and in the other case the possible amount of wages. Can you explain that? Would there be much difference between the two? The actual wage paid is given in the cash book, the possible one is based upon the rate in the muster roll. Would that be a big difference?

A. *Mr. Joshi.*—There are several items about fines and wages not paid—wages forfeited. And there is the regularity of work also.

Q. Yes. Therefore any average based upon the muster roll for these later years must be slightly inflated as against the actual amount paid in those years. Is that a possibility?

A. Yes.

President.—I should have thought the other way round, Mr. Joshi. I should have thought your view was that the amount shown in the cash book which is available for 1914 was less than the amount actually paid, that the wages in 1914 were therefore really higher than they have been shown there, and have not gone up to the extent stated by the millowners. Is that the idea?

A. I only said that you cannot rely on these figures.

Q. *Mr. Subba Rao.*—The wages he pays must have some relation to output. It has been suggested, specially since 1920, I think, when they reduced the hours of labour that there has been a reduction in the output of 10 to 16 per cent. You say in your reply it is not so.

A. In which department?

Q. Weaving and spinning. About 16 per cent. in spinning and 10 per cent. in weaving. Have you any data to show there has been no such reduction?

A. I can point that out to you in an indirect way. The millowners have given an increase of 80 per cent. in the wages. Now since hours were reduced the wages have not gone down.

Q. That is exactly their difficulty.

A. In the case of the pieceworkers the wage bill has certainly gone down.

Q. You mean the amount paid to them?

A. By 80 per cent. increase wages would not have shown a hundred per cent. increase if the production had been less.

President.—I do not follow the argument at all, Mr. Joshi.

A. If the production had been less the actual wages would have ben less also in the case of the pieceworkers. There would have been 12½ per cent. reduction in the wages. Now, when they gave 80 per cent. increase the actual increase is more than 80 per cent. They gave 80 per cent. increase but they show by figures that the actual wage given is more than 80 per cent.

Q. *Mr. Subba Rao.*—How do you work that out?

President.—I do not follow the argument in any case.

A. There may be a slight fall in the spinning department. I do not think there could be any fall in the weaving department.

Q. *Mr. Subba Rao.*—I should like to know it. I am merely putting to you a hypothesis. I want you to confirm it or refute it.

A. A weaver's wage in 1913 was Rs. 22 according to the figures given in appendix III to the Millowners' answers. Now, it is Rs. 47 when there is 80 per cent. increase. The rates have been increased by 80 per cent. If the rates were increased 80 per cent. the wage should have been much less, and if the production had gone down the actual wage would have been still less.

President.—I do not understand these figures any way, because it is "standard muster".....

A I do not understand the meaning of "standard muster."

Q. The increase is more than 100 per cent. It is about 110 at least. Standard muster means the standard rate of pay.....

A. Eighty per cent. more than 22 is 38 I think. But the actual wage is Rs. 47. Now, if the production had been less.....

Q. *Mr. Subba Rao.*—He ought to have earned less, if the output had decreased ?

A. Much less. On the contrary the wages have gone up. So the millowners cannot prove that in the case of the weaving department the production is less. The wages have not gone down. If the production had been less in a department where people are paid on production, the increase in the wages should have been less than 80, but it is more than eighty.

President.—The point is worth examination, Mr. Joshi. We will make a note of that.

Q. *Mr. Subba Rao.*—Continuing our discussion of wages as an element in cost, wages are said to be very high in the cotton industry not merely as compared with wages in other occupations Bombay but elsewhere also. Is it true ? Or, I will put it the other way. It has been suggested that the industry is generally paying higher wages than it can afford. What is the relation of wages in the cotton industry to other wages in Bombay ? Can you give us some idea as to what they are paid in unskilled occupations or any other occupations.

A. Yesterday I mentioned the workshops, the railway workshops.

Q. That would not be unskilled ?

A. All people are not skilled.

A. *Mr. Ginwala.*—A coolie gets Re. 1 a day.

Q. For example, scavengers. What do they get ?

A. They are paid Rs. 23—the municipal scavengers. They also get housing free—practically for eight annas per room per month.

Q. Rs. 24 a month ?

A. Housing will cost at least Rs. 3 or Rs. 4. So it is Rs. 27. In any workshop, any coolie will get Re. 1 a day.

A. *Mr. Joshi.*—Even ordinary coolies are getting more than the mill men.

Q. Is it your suggestion that wages are high all round in Bombay ?

A. Not higher in the mill industry than elsewhere.

Q. Or that wages elsewhere are more or less in line with those in the cotton industry and even higher in some cases ?

A. There is more regular employment. The wages may be less here but the work is regular. They do not mind taking a little less wages. In the railway workshop a fitter gets Rs. 6.

Q. In a less skilled occupation, say house building ?

A. *Mr. Ginwala.*—Re. 1.

A. *Mr. Joshi.*—Their wage is high.

Q. Are wages all round fairly high in Bombay ? It is no good comparing cotton wages here with those in other parts of India.

A. The wages are decidedly high. There is no doubt about that.

Q. Another element that makes the cost of labour high is absenteeism. You suggest yourself that the worker might be given in addition to the weekly holidays some other holidays and also that a few permanent extra workers should be engaged. Would that not add to the total expenses of production if you keep a fringe of labourers whom you do not employ every day ? That naturally adds to your expenses of production ?

A. Yes, but this absenteeism is inevitable. You can never get rid of absenteeism because the men will fall sick.

Q. You think provision ought to be made against that contingency ?

A. Yes. You cannot avoid that entirely.

Q. Are you in touch with labour in other occupations in Bombay ? Could you tell us say, among the scavengers department or any other class of workers what the absenteeism is ? You speak of Bombay being very unhealthy. Do people absent themselves in about the same proportion in other occupations also ?

A. If you take the class of people who are engaged as peons in Government offices, they get leave. There may be absenteeism but that absenteeism is not marked because they are entitled to leave.

Q. Now, we will turn to efficiency, in which the employer is interested, and so is labour. Inefficiency in the one case is an element in the cost and in the other case it affects the earnings. I do not want to carry on any discussion about comparative efficiency. Broadly speaking I am in agreement with you that all such international comparisons are vitiated

by the fact that conditions are different and not much purpose is served by these comparisons; but, broadly speaking, is it not true that for whatever reason just now the labour cost is fairly high in India ?

A. It is not proved.

Q. When for a given unit of work you have got to pay more in India ?

A. I won't admit that.

Q. Now, as to recruitment, your suggestion is that you must not recruit labour through these jobbers because of certain malpractices. You then spoke of public exchanges. What do you mean exactly by that ?

A. Government should maintain an office where unemployed men might go and register themselves.

Q. You are speaking of labour exchanges ?

A. Yes. Mills that want labour get the men from the bureau.

Q. That requires a certain amount of organisation on the side of labourers, as well a willingness to go from place to place ?

A. If a man has not got work he will certainly prefer to go to some mill in Bombay. At present jobbers do not bring people from villages. Men come here of their own accord and they then go to the jobber and find jobs.

Q. You want something like a sort of registry office ?

A. If there is a registry office he can go there, get his name registered and get employment.

Q. What I was wondering was whether you think that these people are prepared to accept instructions to go from mill to mill, or even possibly from one part of India to another. Will they do it readily ?

A. If a man has no work. Otherwise why should he ?

Q. But he has got to keep his name on the exchange. He can't merely go when he likes ?

A. He keeps his name on the register. He goes to a mill. His name really disappears when he finds an employment. As soon as the office knows that the man has found a job his name is taken off.

Q. It is not quite taken off elsewhere. It is analogous with unemployment insurance in Europe. There he maintains more or less intimate relations with the labour exchanges.

A. Not after he is employed.

Q. But still he has got to come in the list. He is in another list, the Trade Union list. So his connection with the Exchange cannot be completely severed. I suggest a possible difficulty.

A. Where these employment exchanges exist, if a man is once employed the public exchange will never ask that man to go to another mill. If a man is unemployed the office places his name on the register. Then when he is asked to take up work in any mill.

Q. *Mr. Subba Rao.*—I am not speaking of movement from mill to mill, but from one place to another. Would he do it to the dictation of the labour exchange office ? Then, another cause of inefficiency you suggest is the lack of training. What do you suggest as a remedy ?

A. We suggest first the extension of primary education. It has only recently been introduced by the Bombay Municipality. We would like that to be done immediately. But that will be for young children. It will take some time before its effect is seen. We would like the municipality to start some scheme for educating the adult people. We cannot wait till the smaller children become workers and show greater efficiency on account of education.

Q. Is there any scheme in Bombay for adult education now ?

A. Efforts are made by the Social Service League. There are a number of night schools. The Municipality also has got some evening schools, but the effort must be made on a larger scale as regards primary education. As regards technical education, we believe that efforts should be made on a very much larger scale. There is now absolutely nothing done in this respect.

Q. Who should take the initiative ?

A. Either the Municipality or the Government or the Millowners.

Q Or all the three taken together ?

A. Yes.

Q. And would you suggest any kind of training to people who come for the first time to Bombay or link it up with the work in the mill ?

A. Yes, that is more efficient to link it up with the mill. You cannot get a new man to attend a school. Who will pay his maintenance in Bombay ?

Q. You think it is possible to put a man at work in the mill and also give him this training in what would be the spare hours. Would a man work for ten hours in the mill and then work in the trade school for a couple of hours ?

A. If you give him some inducement he will. In our technical school we give them some scholarships. My own belief is that when people find that these young fellows who are working will get better terms or will get better wages than they used to get they will join. After some time we may be able to stop the scholarships. At present we give them a scholarship of Rs. 3 for showing some regular attendance and regular progress in the school. But I believe that after four or five years we may be able even to stop the scholarships. Then we can always get some young boys when they find that their chances will be better. It is a great hardship in Bombay for a young man to go to a technical school after doing ten hours work. That is a great difficulty. Therefore we shall have to push forward our agitation for reduction of hours.

Q. So you couple this possibility of training with a reduction in hours of work ?

A. I won't wait for reduction of hours at the same time.

A. *Mr. Ginwala.*—It could be done in the case of half-timers immediately.

A. *Mr. Joshi.*—If some young fellows think that their chances in life must become better then they may be required to work a little harder. I will give them a chance.

Q. You said that millowners might take some initiative in the matter. Do you accept this statement of Mr. Burnett Hurst : " In the Bombay mills there is greater depreciation and damage of machinery and tools and a larger amount of bad workmanship and waste than is found in Lancashire. This is attributed partly to the irregular attendance, lack of interest on the part of the worker and the long hours of labour, the employment of inferior workmen and rough and careless handling. " Would that be then an inducement to the millowners to spend more money on technical education of their workmen ? If it is true that there is this irregular attendance and lack do you think it ought to be some inducement to form steps so that the workers might not spoil the machinery ?

A. It may be.

Q. You think the community generally is interested in this matter, in getting the workers trained ?

A. Yes.

Q. That is why you suggest that the State and Municipality should spend some funds in the matter ?

A. Yes.

Q. Then, turning to the conditions of work, you suggest that conditions are not adequate for minimum human requirements. I want to know, is that a mere general impression or have you seen specific factories where there is no provision for the workers to take their food, where they can't get good drinking water ?

A. I have seen factories.

Q. But we have seen several where they have taps for water, etc.

A. Did you find it in the majority of the mills ?

Q. I cannot speak of a majority; but, can you speak of a majority as not having sheds ?

A. Yes, I make a statement that the majority have not got sheds.

Q. From personal inspection ?

A. Not from personal inspection. I have information.

Q. You are prepared to stand by that ?

A. Yes.

Q. No sheds and no drinking water ?

A. I do not say there is no drinking water at all. Take the hot season. If you give drinking water which is hot, certainly it is not a good provision.

President.—There is just one point about the provision of eating sheds. I would like to raise. We have been to mills where we have seen that they have provided good sheds and people were not using them. If the sheds are some distance from some part of the mill they think it is too much trouble to them, to walk 50 yards. So they have their meal in the first odd place they can find.

A. If the sheds are really good people will go there.

Q. *Mr. Subba Rao.*—Turning to housing, you suggest that bad housing is responsible for inefficiency as it leads to illness and so on. But you do not suggest any remedy. On one side you condemn the mill chawls because people are liable to be driven out at any time and on the other you condemn the Development chawls. Then what do you suggest ?

A. Good housing.

Q. To be provided by whom ?

A. By the Development Department, by the Municipality.

President.—Do you think the Municipality and the Development Department are going to make another experiment ?

A. Then there will be inefficiency. The workers will suffer from congestion and overcrowding.

Mr. Ginwala.—The main reason why the Development chawls are not occupied is that the rents are high.

Q. *Mr. Subba Rao.*—They have been reduced recently.

A. Even then they are too much. The rent should not be more than Rs. 3 or 4.

Q. Is that the commercial value of a room in Bombay ?

A. I do not say it is. The former rent was Rs. 3-12-0.

Q. But have not the rents risen now elsewhere ?

A. They have increased according to the Rent Act. But the Millowners say that they have been contributing 12 lakhs of rupees indirectly for housing. The Development Department say that they do not get economic rent. But the chief thing is that the houses are not designed for the purpose of giving good housing for poor workers. Therefore the economic rent is not raised.

Q. You mean they ought to be let at a price less than the interest charges ?

A. At prices at which the workmen should be induced to take up. That is the only question.

Q. Then you suggest provision for housing without any reference to what the rooms will cost to construct ? Is that the implication ?

A. The Millowners say that they make a gift of 12 lakhs.

Q. Towards the expenses or the interest charges ? But if in spite of that the rent is fairly high, should not the authorities attempt to cover at least the interest charges ?

A. They say they are making a gift of 12 lakhs. If that means really a gift of 12 lakhs surely they can give free housing. But at least they should attempt to induce the worker to occupy those houses. Otherwise it is useless. What is the meaning of keeping 12,000 tenements idle and losing 1 lakh per month ? Is it a good policy ? Is it not wiser to bring down the rents ?

President.—How many rupees a month are they losing ?

A. One lakh of rupees. There are over 13,000 tenements vacant at the rate of Rs. 7-8-0.

Q. You say they cannot be occupied at that rate. Therefore they are not losing a lakh a month.

A. Yes they do.

Q. How can they lose a lakh if they cannot be let ?

A. According to them they want to realise Rs. 8 per chawl. Taking it at Rs. 4 or 5 it means they are losing Rs. 50—65,000 per month.

Q. At what rent do you think they could be let ?

A. At Rs. 4 they will be taken. The rent must have some proportion to the earning capacity. The rooms may be worth Rs. 10 or 15. But when the average wage in Bombay is Rs. 30 you cannot expect them to pay Rs. 7 or Rs. 8 per month.

Mr. Joshi.—If you take 10 per cent. for the middle class workers they must not pay more than Rs. 3.

Q. *Raja Harikishan Kaul.*—Except for the rent you think the tenements are quite suitable?

A. I do not say they are suitable. But the other tenements are worse.

Q. One room tenement increases the illness. Therefore there must be two-room tenements. Then you bring in the question of economic rent.

A. Even if they are occupied, that would not solve the housing problem. In my judgment the housing problem is almost insoluble.

Q. I am speaking of the workers.
A. Even as regards workers. If you take the mill workers, the problem is very difficult to be solved unless some heroic measures are taken.

Q. *Mr. Subba Rao.*—All that affects the future prospects.
A. But the difficulty is there.

Q. To the extent people go away for work for long periods and turn to other occupations as they are stated to do, that cannot but affect the continuity of work. You say the workers are not migrating. But our information has been till now that the workers of Bombay go home periodically in certain seasons. Do you want to contradict that ?

A. I do not say they do not go home. But they come back. It all depends upon what meaning you attach to the wording. If by " migratory " you mean they do not settle in Bombay long or they come here and do not go back again, then they are not migratory. They generally go once in a year or once in two years to their districts because it is impossible for them to live in Bombay without any change under the present housing conditions. But they come back. And in a large number of cases they come back to the same mill.

Q. Can you tell us to what extent they are absent in the course of a year ? Is it seasonal migration ?
A. Generally for a month or two months. It may be once in a year or once in two years.

Q. Won't that embarrass the working of the mills ? It is suggested that this kind of absence makes it difficult to carry on the work of mills continuously. Is that not a poin against cheap cost of production ?
A. It is.

Q. It raises the cost of production.
A. But it is inevitable. Under the present housing conditions in Bombay you can never get permanent labour. In the case of women they go home for confinement. In the case of men they must go home once in two years to recoup their health. No man can live in one room continuously for two years without having some liberty of seeing nature and going about in the open.

Q. So you think in the long run it is an advantage to production and not a draw-back ?
A. It is a positive advantage to production that the man goes out. From the health point of view it is a great advantage.

Q. Therefore the mills stand on the whole to gain by this migration and not lose ?
A. Yes, ultimately.

Q. Now I turn to the other point of view—wages, in relation to the standard of the life of the workers. In the first place, you question the accuracy of the average rates. In paragraph 18 of your statement you refer to the amount of wages. You dispute in the first place the magnitude of the average amount a worker receives. You suggest it has been obtained by including a number of items that are not strictly speaking wages of the operatives as it includes the salaries of the assistant spinning master, the spinning master and so on. Would that be a large proportion, and seriously affect the position ? You have got 150,000 mill operatives in Bombay and would this addition make a very big difference in the average ?

A. I think so because there are a number of people who are not strictly workers. You begin with jobbers and assistant jobbers. They are a sort of overseers. From these jobbers up to the Manager all the wages are included and certainly the wages are swollen. Then there are several others also like fitters. Their wages are higher.

Q. They are also operatives ?
A. Not actually mill operatives. They are highly paid considering these people who get Rs. 20, Rs. 25 or Rs. 30. You may leave fitters if you like. But if you take jobbers and assistant jobbers who are really overseers it will be a high figure.

Q. In a factory of 4,000 workers what will be the number of these people whose salaries you would like to exclude and what would be the proportion of the total earning to the total wages ? Would it be large ?
A. About the supervising staff Mr. J. A. Wadia states that it is about 12 per cent. If you include the jobbers and other people, the percentage will go up a little bit.

Q. Now would that affect the total very much ?—about $\frac{1}{8}$th of the total ?
A. Certainly, it affects it to some extent.

Q. It does arithmetically. But does it affect it appreciably ?

A. Yesterday we saw the balance sheet of some mill in which the agent's commission also was included. If figures are taken from these musters and cash books where wages show the total we do not know how the figures are swollen.

Q. You say it is 12 per cent. and you think it is an important item and to that extent it vitiates the average wage ?

A. It may be more than 12 per cent.

Q. But can you give us the figures ? We cannot lay down that the wages are too high or too low unless we know what the figures are.

A. Yes, we will try to send you.

Q. Then the amount of money wages you state is further reduced by fines—by withholding their wages—and Mr. Burnet Hurst suggests it is about 10 per cent.

A. But these fines do not include the other fines which I have explained to you. For instance, the spoilt cloth is not included in the fines.

Q. Have you got any facts to support that ?

A. That is the information we have got.

Q. You mean the system of fines in these mills does not include fines for the spoiling of cloth?

A. *Mr. Bakhale.*—They do not consider this as a fine. They consider it as actual sales. It is shown actually as proceeds of sales. So much is deducted from the wages and so much is credited.

Q. So to that extent the reduction by fines should be deducted from the actual amount the workers get ?

A. Yes.

Q. Is that a large proportion ?

A. Yes.

Q. I think I have seen in one balance sheet about Rs. 27,000 as wages undisbursed as against Rs. 7 lakhs the wages bill. We are talking of the question of average rates—about Rs. 27,000 for 7 lakhs—wages withheld. It is not shown in every balance sheet.

A. *Mr. Joshi.*—That is about 4 per cent. It is not a small thing.

Q. Any way you think all these items reduce the wages of labour by an appreciable sum ?

A. Yes.

Q. Next, in trying to convert that money wage into real wages, you do not accept the Labour Office index number of cost of living of the working classes ? It is the only one available.

A. Yes.

Q. Your objection seems to be that the basis is not satisfactory, but you have evidently not studied the numbers. I should like to know exactly why you object to it.

A. I made a statement yesterday as to why we do not accept it.

Q. The Labour Office itself says that you ought to take in a number of things. Apart from that have you any other specific objections ?

A. They have taken the cost of coal and beef into consideration. We do not use coal.

Q. It appears to be a small part of general consumption and therefore it will be given a small place.

A. *Mr. Ginwala.*—Another point is that most of the workers are indebted to the bania and the bania always charges a higher price than what is stated here.

Q. You question also the calculation of prices ?

A. Yes. That is what we do find. We were able to see that actually in practice the worker has to pay more to the bania.

Q. Therefore you do not accept these figures ?

A. *Mr. Joshi.*—We do not find people who have felt this lowering in the cost of living.

Q. Don't you agree that generally there has been a fall in the cost of living on the past few years ? Perhaps not to the extent suggested by the index numbers, but don't you accept the position that prices have generally fallen ?

A. We accept that for some articles they have fallen.

Q. But there has been a several downward tendency for the past few years.

A. There has been a downward tendency. That is all. That is true.

Q. That leads on to the next question. If the tendency be accepted, should not that lead also to a change in the wages ?

A. It has already changed.

Q. To what extent ? You speak only of the bonus being taken off.

A. And there is a change by this other method which I explained since last January.

Q. We should like to know about that.

A. We will give you the figures.

Q. Now you accept the position that a fall in prices makes it necessary for a re-adjustment of wages ?

A. It may make it necessary. But if you take the standard of the life of the people into consideration and if you find that the standard itself is very low and on account of the low standard their efficiency is low, you are doing a wrong to the industry by allowing that standard to go down.

Q. But I think you have stated that the standard has not risen since 1914,—in answer to Question 78. The question is 'Has there been any marked change in the standard of living of operatives since the war ? The answer is 'the Union does not think that there has been any marked change in the standard of living of mill operatives since the war.'

A. Yes. There was not much opportunity.

Q. But there has been a rise in wages.

A. Exactly. If there was a rise in wages there was also a rise in prices. It is only now that the cost of living is showing a tendency downward. So there was no room for the standard of living to rise.

Q. You mean that though they got more they had to pay more, and there has been no change in their consumption ?

A. Yes. So if the prices really go down and remain downward, then only there will be a chance of a better standard of a life.

Q. Then your position is quite consistent ?

A. Yes.

Mr. Ginwala.—We say they get starvation wages.

Q. I understand your position. In speaking of rates of wages in the industry, you want standard rates and you also suggest a time scale and further a bonus for long service. But I believe in some cases the mills already give a bonus for long service. Are you aware of any such case ?

A. It is so in a few cases.

Q. You say that in India it has been noticed that for the same work for exactly the same length of time the wages vary from 9 annas to Rs. 1-6-0 per day.

A. Rs. 1-6-0 per day after a record of 20 years' service.

Q. You say oilers are given a similar bonus for long service.

A. The bonus principles are given at the end.

Q. The man is working for 20 years and kept on 9 annas.

A. There may be some other reason except bonus.

Q. But do you think there are no such cases ?

A. *Mr. Bakhale.*—We have cases in which the workers had asked for gratuity for long service and it was refused.

Mr. Ginwala.—The only class of people who get it are clerks.

Q. You suggest a time scale. You mean automatic increase year after year for the same kind of work ?

A. *Mr. Joshi.*—That will be a good system.

Q. But is it possible for an Industry in the absence of Corresponding rise in prices, to raise the wages of people, because they have worked year after year ? Do you think it is possible for the industry to be sustained on that basis ?

A It is possible if it is adopted on a large scale. If it is adopted by only one mill, it is not possible. If it is adopted by an International Convention, it is possible.

Q. Therefore you agree it is not possible to give effect to the time scale at present ? You agree it must be part of a general scheme on an international basis ?

A. Yes.

Q. It is rather academic at present. Then I think you speak of a sliding scale. You want to link up the scale with two things, the cost of living and secondly, profits of a

business. Is the latter always desirable ? Won't that make the worker's wage depend upon somebody else's efficiency and not upon his own work ? That is said to be a drawback elsewhere.

A. In my personal judgment, it is not quite desirable. If it had been my own personal recommendation, I would not have made it.

Q. The profits depend upon so many things and if you want a sliding scale it may be made to vary some other index. You want a sliding scale but not one bound up with profits ?

A. Yes.

Q. Then, what kind of machinery will you have if you want to standardise wages ? You must have evidently some machinery. What would you suggest ?

A. I suggest a sort of general committee.

Q. But does it not presume a strong labour organisation as is capable of " delivering the goods " ?

A. Yes; but unless you make a beginning it will take a number of years. You will have to wait for a long time.

Q. You want to begin from above.

A. Not quite the other way; but still if you start, whatever machinery you have that machinery will become stronger. But if you do not make a beginning, then you will have to wait much longer. But if you make a beginning with whatever organisation there is to-day, it is possible that that organisation may be able to deliver the goods.

Q. But are you able now ? That is the point. You represent about 9,000 men. Suppose the millowners form a committee with you to settle wages and suppose that you agreed, as leaders, in a given month to certain rates. Would you be able to make your constituency accept your decision and beyond your constituency, would you get, the other labourers, to accept this change ? That pre-supposes a strong organisation on the part of the masters and on the part of the men.

A. That is for a sliding scale and not for standardisation of wages. It is not necessary for standardisation. Standardisation really requires organisation amongst the millowners themselves.

Q. You mean to have one set of rates prevailing in a given locality ?

A. In any locality depending upon various circumstances. That requires an organisation among the millowners themselves.

Q. When you get a standard laid down, the men's representatives meet and settle changes for the trade. It has been thus for the last 20 years or more in the cotton trade in England according to the changed condition. It need not be a sliding scale and you can raise it some time later.

A. There will be alterations due to such circumstances as change of pattern, change of machinery and so on and therefore you have to keep the wage which people generally obtain after doing somewhat reasonable amount of work. That does not require a great change in the present rate of wages.

Q. You just now stated that they have to change wages because of the change of pattern. That will lead to disputes.

A. If you get a fixed standard that will stop them.

Q. But won't you change because you change a pattern ? And the workers must understand the changes and somebody must tell them and make them work. Do you think it could be done by the present labour leaders ?

A. Yes.

Q. Suppose you are convinced that the 9 pies reduction, which you stated had been made in a mill recently, was desirable; you can make your constituency accept that view ?

A. Yes; it is possible.

Q. You can convince your men that as occasion requires they should accept a downward change ?

A. Yes.

Q. And therefore you would have some board representing, on the one side, the masters and on the other the men ?

A. Yes. If once wages are standardised, such occasions will not arise very frequently, unless you change your machinery.

Q. Unless the industry is stationary, there are bound to be changes in patterns and so on ?

A. You may not have a change of patterns every day. You can fix the rates for a pattern once for all. All the mills can say such and such pattern has such and such a rate. If these rates are fixed up once, then there won't be so many frequent changes.

Q. We need not dispute the number of changes. To the extent there are changes we shall want some kind of board and you want representatives of men on the board and those of the masters ?

A Yes.

Q. And would you admit outsiders, such as experts ?

A. Yes; you can have an outside chairman—an impartial chairman.

Q. It comes more or less to a sort of conciliation or arbitration board.

As regards unemployment or casual employment you suggest there is in Bombay just now considerable unemployment. Can you give us any idea of it ?

A. I cannot give you figures. But it is felt by us. We find people coming and asking for employment and whenever people are victimised on account of certain things we find it difficult to get any employment for them.

Mr. Ginwala.—Four or five mills have already closed down and the staff has been reduced.

Q. Apart from the mills that have closed down, you also feel that the mills have reduced their labour strength. Are you aware of any definite facts regarding the mills which had reduced their labour force ? Could you say what was the labour strength about six months ago and what has been the reduction during the last six months and to what extent the depression is the cause ? You can send the statement later on.

A. *Mr. Bakhale.*—Yes; we shall send it later on.

Q. Then you say that dismissals account for a good deal of unemployment. But are these sporadic or would you say they are common ?

A. Yes; dismissals are very common.

Q. Do you care to give any figure—any percentage ?

A. It is very difficult to give any percentage.

Q. In a mill employing 1,000 people, would there be three dismissals ?

A. Three ? Many more.

Mr. Bakhale.—So far as our register goes, I can give you a comparative statement showing the number of persons dismissed month by month. But that will not help you much. Because all the dismissed people won't come to us.

Q. But that will be something.

A. *Mr. Joshi.*—As a matter of fact there is no practice of giving notice before a man is dismissed. It is really casual labour. The whole labour is casual labour. A man is working and when the employer does not like him he sends him off without even giving him a month's notice. The payment is monthly; but they do not give notice.

Q. I want to get some kind of measure. I do not dispute the facts, but we want some measurements. What is the extent of such dismissals ? Can you give any idea ?

A. It is very difficult.

Q. You have made a statement about welfare work. I want to be sure as to how far it is common. You say the workers are made to pay for medical relief. Do you know of any specific instances ?

A. Yes.

Q. And secondly is that practice common ? The impression I got is that they give this free.

A. *Mr. Bakhale.*—From one mill the complaint came to me.

Q. It is only one instance.

A. I do not know of any other case.

President.—You say "In a few mills." How many mills ?

A. I will supply the information.

Q. *Mr. Subba Rao.*—One question about your proposals as to protection for the home industry. I think your point of view is this: If you have an import duty, it is possible because of the changes in prices for the real effect on the consumer to be concealed. He will not realise how much he has to pay in the way of higher prices. There may be a fall in raw material and so on and thereby he would not know how much he is paying. But still the burden is there.

A. *Mr. Joshi.*—Yes; the burden is greater.

Q. Yes; if the tax is universal. So your idea is to make the burden direct and visible ?

A. Yes.

Q. And further you want the burden to be shared by a class that imposes the burden. Is that the point ?

A Yes.

Mr. Joshi.—Yesterday there was a statement made about double shift working and you said there was only one mill in which it was tried.

President.—I said to my knowledge.

A. We have got information now that double shifts were introduced in several mills in Bombay. I have got the names here. The Spring, Gold Mohur, Planet, Simplex, Textile, Hongkong. They did not work double shift for a long time but they did introduce it.

Q. *Mr. Majmudar.*—In which department ?

A If you want more information, we will give it.

President.—The point I raised yesterday was that you made a statement that double shift working was in operation in several mills and you were unable to furnish the evidence on which it was based. If you had given this information ready yesterday, I should not have made any criticism.

A. We do not mind the criticism but we give you the facts.

Q. *Raja Hari Kishan Kaul.*—About your suggestions for training operatives.....

A. *Mr. N. M. Joshi.*—We are training them.

Q. A trifling proportion ?

A. Yes.

Q. I believe by improved labour you mean labour trained under Indian conditions and not labour born or brought up in foreign countries.

A. I am not suggesting "brought up in foreign countries." Under the same conditions.

Q. The training will take some time ?

A. About two or three months' time.

Q. That could not be done at present in case of most of the operatives. The efficiency of Indian labour must therefore be taken without these possible conditions.

A. I am not suggesting conditions which are impossible to reproduce here.

Q. Certain conditions exist, but they may be capable of improvement. We have to see what is the present state of efficiency.

A. Most of them can be reproduced here.

Q. Can they be reproduced ?

A. Yes. My point is the workmen themselves are not responsible for this.

Q But until the other conditions are brought about here, efficiency cannot increase. May I ask you how many weavers you have as members, how many spinners and how many jobbers ?

A. We have got a larger number of weavers on the whole.

Q. What would be the numbers ?

A. Six thousand weavers and 3,000 spinners.

Q. Any jobbers ?

A. A few jobbers.

Q. We are dealing with the question of depression which is supposed to exist. You suggest that a radical improvement in conditions could be effected. A radical improvement cannot be effected in a day. Supposing an attempt was made, will it remove the depression immediately ?

A. Immediately you cannot change conditions, but if you improve labour conditions, you will begin to see the effect.

Q. You say the depression is not a permanent thing. It is temporary ? By the time labour conditions are improved the time of depression may have passed ?

A. Depression may come again. It comes by cycles.

Q. It will not be a remedy for the present depression ?

A. It may not be for the present depression, but if we want to put the industry on a permanently improved footing, this must be done.

Q. That is my point. Have you any idea as to how labour is recruited outside Bombay ?

A. Some idea. Yes.

Q. Is it exactly the same as here in Bombay, recruitment through jobbers ?

A. It depends upon the industry.

President.—The textile industry ?

A. I do not know about textiles.

Q. *Raja Hari Kishan Kaul.*—The present system is that the jobber gets the wages according to the quality or quantity of work done by the men under his supervision ?

A. To a certain extent. To some extent it depends upon the work done by him.

Q. Is it not to his interest that he should have the most efficient men working under him ?

A. If he understands his interest rightly, it is to his interest.

Q. In the same way, if there are vacancies would he not select the most competent men to fill up vacancies ?

A. After all the advantage which he gets by the good work which a man may turn out is slow and indirect.

Q. Compared with the bribe he gets ? But that he gets only once.

A. *Mr. Ginwala.*—As many times as he discharges and engages men.

Q. You think his inco efrom that source is greater than what he would get by employing more efficient men.

A. *Mr. Joshi.*—They really get large sums.

Q. In any case if men are taken from labour exchanges there will be no chance of selecting good men. You will have to take good, bad and indifferent men.

A. Not necessarily. The manager or anybody whom the mill appoints as being qualified to make selection may make the selection. Both in America and in England in every factory there is an employment office.

Q. There labour is not half so migratory ?

A. In the United States it is much more migratory.

Q. Not so in England ?

A. In Lancashire the labour is more settled.

Q. Is it a fact that when a jobber is sacked or turned out, all the men working under him very often go on strike ?

A. Sometimes he can prevail upon them to go on strike.

Q. How is that ? They won't return until he is reinstated ?

A. Because by constant habit they are accustomed to work under that man.

Q. Why should they do so. If he is such an oppressor ? You say he worries them. Then, why is he so popular with them ?

A. They are afraid of losing their jobs. If he goes, some other man comes and takes his place who is sure to bring his men. The new man will bring his own men.

Q. Your suggestion is that the jobber should be done away with, that he should not be recognised ?

A. He should have nothing to do with the employment as well as the dismissals of men.

Q. Then, if he is dismissed, why should the men go away in sympathy ?

A. To-day they go away in sympathy because if another jobber comes in his place he will gradually turn out these people and bring in other people.

Q. As regards selecting men, you cannot expect the manager or the head of the department to be so familiar with the capacity of every man as the supervisor—we will call the jobber the supervisor—the man actually in charge of the workers. Therefore ordinarily the head of the department would consult the supervisor, would he not ? For all practical purposes he would have to be consulted ?

A. Yes, if the manager does not know the different processes.

Q. Processes of course he would know, but he would not know the individual. He will not be in such close touch with the individual as the subordinate who is supervising these people.

A. That is true, but there is the danger of giving power to these smaller men.

Q. As regards complaints, you can hardly expect the manager of a mill exploying 2,000 operatives to deal with every complaint personally. He would have to leave the minor complaints to be settled by his subordinates.

A. Still, let him have somebody in the mill who will deal with complaints.

Q. A separate officer to be appointed for this purpose ?

A. Surely it is a very important thing. Contentment of the workmen is a very important thing.

Q. As regards *budlis*, they are not given when a man is dismissed? I understand *budlis* are provided only if a man goes on leave?

A. Yes. If a man is absent on account of illness, and if you have not got permanent arrangements, you will require a temporary man to be taken in.

Q. You would either have to keep a large number of men idle at ordinary times to supply these substitutes or you would have to insist on the men giving a substitute?

A. You have served in Government offices and you know Government has to employ 10 or 12 per cent. additional men in order to take the places of those people who go on leave. They are not idle. Ordinarily they have to take the places of those who go on leave.

Q. Even in Government service sometimes for menials and others you have to insist upon a man giving a substitute if he wants to go away at short notice. He can take privilege leave only at certain times. Sometimes for years you cannot get leave when you want it. The mill operative is not going to wait for such a long time.

A. If you will give them leave they will use it properly. Simply because you do not give it to them, there is this trouble.

Q But till then you want a substitute. You cannot expect a commercial undertaking to keep a large number of men on their hands simply because they might act as substitutes?

A. They will lose to some extent.

Q. Whether it is economic to have *budli* or not is a question which has to be decided from the millowners' point of view?

A. We have stated that even from their point of view it is bad.

Q. Is there a class of persons who always act as *budlis* and do not like being employed permanently as operatives?

A. I do not think there is a regular class of people who would like to act as *budlis*.

Q. I think we had evidence to that effect. Somebody said that certain people work from time to time as *budlis* and nothing else.

A. There may be a small proportion of men who do not care to be engaged permanently, but their number is very small indeed.

Q. You say the wages of spinners are less than those of the weavers, evidently because the weavers take piecework and earn more. I suppose the spinners could earn more if they attended to more spindles?

A. They can, but that must be done.

Q. The millowners introduced the system of piecework as regards weaving?

A. There cannot be much piecework in the other kinds of work.

Q. Would they not do the same in the case of spinning if it was practicable?

A. Piecework is not practicable in all departments.

Q. That is evidently what accounts for the comparatively higher level of wages in the case of weavers?

A. But our point was that if you compare the disparity of wages between weavers and spinners in other places the disparity is not so great. Even the figures quoted by Mr. Subba Rao from America were 19 and 23. The disparity is not so great there as here and I think some millowners will admit that this disparity of wages between spinners and weavers is not quite fair.

Q. Weavers' wages evidently have gone up since they began to do piecework, and if they find that spinnners are tending more spindles I suppose their wages would be increased?

A. Weavers have been pieceworkers for a long time.

Q. How long?

A. I do not know.

Q. *Mr. Majmudar.*—From the very beginning.

Q. *Raja Hari Kishan Kaul.*—Now, about fines. Fines may be equitable or they may be inequitable, but are not fines generally intended to ensure efficiency or to maintain discipline?

A. It all depends on the method we choose for the maintenance of the discipline. You cannot get proper discipline by fining people.

Q. What method would you propose? For instance, in the case of petty thefts would you propose that the offender should be prosecuted or sent to court? Probably the

courts would send him back and say it is a petty theft and he may be dealt with departmentally.

A. If the man is exposed, it is sufficient punishment.

Q. You think it is quite enough ?

A. In small cases it will do. If it is a big case the courts will deal with it.

Q. Supposing he misbehaves deliberately and it is a genuine case in which he is at fault ?

A. Still personally I am not in favour of the system of fines. I would rather warn him once again and then give him notice to quit.

Q. He would be dismissed if he did it again ?

A. Yes.

Q. Would you rather dismiss him than fine him ? I understood you were opposed to dismissals ?

A. Dismissals without sufficient reasons.

Q. Everybody thinks he has sufficient reason if he dismisses a servant. He may be right or wrong.

A. I have not dealt with the point where a man will have some justice before he is dismissed.

Q. Coming to indebtedness, have you any statistics as to the indebtedness of mill hands, or the rate of interest they pay ?

A. The rates of interest are known because they are given here as 75 and 150 per cent. and if they get money from the Kabuli they generally pay 300 per cent., *i.e.*, four annas per rupee per month. 75 to 150 is the general rate with banias.

Q. Are the figures based upon reliable data ?

A. Yes.

Q. This is the information received from most of the people who are members.....

A. We have a good deal of experience in co-operative work.

Q. Have you any figures as to indebtedness ?

A. Well, I have not got that here, but we did some years ago, about ten years ago, collect information about indebtedness of the mill hands. There it was found that the average indebtedness per mill worker was Rs. 150.

President.—Have not the Co-operative Department any more recent information than that ?

A. No. The Labour Bureau had some family budgets—they made no extensive enquiries—but from family budgets they have found out that the average indebtedness is about Rs. 57 or Rs. 60.

Q. You are referring to the enquiry by Mr. Shirras ?

A. Yes.

Raja Hari Kishan Kaul.—Can you give us an idea of the difference in price charged to mill-hands by money-lending banias ? You say they sell at a higher price ?

A. I cannot say what will be the exact rate.

Q. What will be the difference ? Do they sell all 10 or 20 or 25 per cent. higher ?

A. If the goods are taken on credit then he certainly charges interest.

Q. That is a different thing. But I want to know whether he actually charges a higher price ?

A. As regards cash I cannot say.

Q. Ordinarily the banias who deal with the mill-hands are one or two in a mill and they sell at certain fixed rates. Is that the system ?

A. That system does not exist in Bombay.

A. *Mr. Ginwala.*—There are generally no cash transactions with the bania.

Q. I want to know whether he charges a higher price ?

A. Yes.

Q. Can you give us an idea ?

A. At least 25 per cent. more.

A. *Mr. Joshi.*—The rate of interest is from 75 to 150 per cent. He must get his rate of interest.

Q. Seventy-five per cent. for one year. That will be 6 per cent. per month. I want to ask you about this statement in paragraph 51. Supposing Government were to advance money to you at a moderate rate of interest, would you undertake to organise a model

mill with spinners, weavers, jobbers, spinning masters and weaving masters as partners, on a co-operative system ?

A. Certainly we can make an experiment.

Q. The financial responsibility would be yours ?

A. I will take the moral responsibility.

Q. Not only moral. It will be complete responsibility.

A. There would not be much legal responsibility because Government will not have anything to take from me.

Q. *Mr. Majmudar.*—A comparison was made between the rates or rather the wages paid to people in the railway workshops and to people in the mills. I do not know whether in the case of the mills the wages of the people working in the engineering department, that is, people doing fitters', turners' and similar work in the railway workshops were being compared or whether a spinner's wage was being compared with the wage of a man working in the railway workshop.

A. I think you will find the railway workshops pay better.

Q. Even than the men in the engineering department ?

A. Yes.

Q. Is that not a case of more skilful work ?

A. Yes ; and also railways are more responsible bodies. They treat their labour much better than the mills. They give several kinds of privileges, provident fund, etc.

Q. In the case of railways, you know they are monopoly concerns. They can put up the freight to any extent within certain limits and as there is no competition the people have to pay those rates , but in the case of mills they have to sell in competition with the products not only of the other Indian mills but also of foreign mills.

President.—Mr. Majmudar's point is, as has been shown in England, that railways are sheltered industries and their rates of wages are not exactly a guide to what can be paid in industries which are not so.

A. That is true. Therefore I said yesterday that under the capitalistic system there is a limit to what can be done and a time will come when people will not object to textile industry being a monopoly, with sufficient safeguards for the consumers' interests to be protected.

Q. But you can never make it a sheltered industry in the sense that railways are a sheltered industry.

A. No.

Q. Unless you desire every country to be self-supporting in your Utopia.

A. What will happen then we shall consider.

Mr. Ginwala.—There is the case of Port Trust. They pay equally with railways.

Q. That is also exactly in the same position and is equally sheltered.

Q. *Mr. Majmudar.*—You propose that leave such as privilege or sick leave or casual leave should be allowed to the workmen. Would you allow the operative to enjoy leave by turns or would you allow them to remain absent whenever they like ?

A. That depends upon the reason for which he wants the leave. If a man is sick, you cannot have sick leave by time-table. You can have leave for private business by time-table.

Q. The complaint of the mills is that the people stay away without giving any intimation whatsoever during holidays or on some ceremonial and other occasions, that they stay away in numbers. If they are given a right of leave for a certain number of days there ought to be a guarantee or a provision in order that the men may not remain away in a batch and the machinery may not stop.

A. *Mr. Joshi.*—They will not. As a matter of fact they will be affected. The men will not remain absent to the extent they remain absent to-day if they get leave for either private business or for sickness.

Q. Suppose if 15 days' leave is to be given, that would mean an addition of about 4 to 5 per cent. in the number of workmen, 1/24th practically.

A. You have to employ these people. But if you give them regular leave, you will have some regularity and you will on the whole gain.

Q. Will people agree to the reduction of wages to the extent of the extra number of people employed or for the leave allowed to them ?

A. In the first place, if it is a fact that they already remain absent there will be no extra cost.

Q. They are not paid for that period at present, whereas if they are allowed a certain period of leave they would say there is no reason why they should suffer in wages. They would naturally expect that the mill should bear the extra wages that may have to be paid to the workmen who are employed to work during the period of their absence. That would again put up the cost of production.

A. It would put up the cost of production apparently. But on the whole it will not be so.

Q. It is a question of arithmetic.

A. If you also believe that better conditions of work for people means better efficiency, you will gain.

Q. Do you mean to say that the cost due to 5 per cent. extra men will be made up by the greater efficiency of the workmen ?

A. Yes. You will have better attendance.

Q. What would you say about men remaining absent without any intimation ?

A. That is what the Millowners' Association say.

Q. *President.*—You understand that it is our business to put the other side before you. If you had been here when the Millowners were present you would have realised that we were putting your view before them. It is our duty to put the other side to you to hear what you have to say about it.

A. I realise that. If the millowners expect the workers to go without notice in order to go to their village or to give notice about sickness and other things, the workers also should expect notice before they are discharged.

Q. *Mr. Majmudar.*—Certainly.

A. But if you make enquiries from the millowners you will find that there is hardly any practice in Bombay of giving notice before the workers are discharged. So on the legal footing the mill-hand is a casual worker.

Q. Are there not here two sorts of employees ? One on the permanent list and the other on the temporary list ?

A. So far as I know there is no such distinction and we have got cases of men being discharged without notice and this morning we got the instance of a mill having introduced new rates without notice. The men find it out at the end of the month on the pay day, that they are getting reduced wages. Under a proper legal system where notice is required, this could not happen.

Mr. Ginwala.—That system prevails in the railway and not in the mills.

Q. Does this system prevail in all the mills or only in some mills ? It could not be a general practice with all the mills here ?

A. *Mr. Joshi.*—I do not know that. But we have got instances.

Q. Most of the mills, I believe, make payments on the basis of the percentges fixed by the Bombay Millowners' Association in regard to wages, rates and such matters.

A. Yes, but the percentages are not fixed in such great detail. Unless rates are fixed in great detail, the rates become practically useless.

Q. But is this practice prevalent in all the mills ? It may be prevalent in a few which may be considered as exceptions rather than the rule.

A. It is a point which really deserves to be enquired into—how far the millowners recognise that notice is necessary before a man is discharged and if a point is put in that blank manner, I am doubtful whether the Millowners' Association itself will be able to give a definite reply.

Q. I also understand that your complaint as regards fines, dismissals and such matters is more or less against jobbers than against managers and weaving and spinning masters. Not about the heads of the departments ?

A. The complaint is against the whole management.

Q. You mean that the heads of the department do not look into these complaints ?

A. There is the question of prestige.

Q. But according to the usual system which prevails in mills, a jobber cannot discharge a man without taking the previous permission of the head of the department ?

A. Theoretically it is true; but in practice, it is not true at all.

Q. You come to know the cases of the discharged when they come and complain to you. You do not know of the cases in which the fines, etc., have been turned down by the head of the department ?

A. That is true.

Q. So you cannot say what is actually going on inside the mill itself.
A. Well, we are coming into contact with a sufficiently large number of people

Q. But certainly you do not believe that the responsible head of the department would be merely discharging people or fining them on the statement of a jobber and would continue to do so every time ?
A. I have no ground to change my opinion on that point. I think in most cases of fines as well as dismissals and discharges the jobber really takes the step and he is upheld. There is not any intervention by the higher authorities. There may be a few occasions when such a thing happens.

Q. Then you make a mention of *dasturi*. Is it prevalent only amongst the female labour ?
A. It is more prevalent in regard to female than to male labour.

Q. To what do you attribute that.
A. To the helplessness of women. A man is more independent than a woman.

Q. Or is it due to the fact that there is less female employment than the male or that the females are not able to get work as quickly as males are able to ?
A. I cannot say exactly what is the reason.

Q. And you consider that this system prevails in all the mills ?
A. Most of the mills. It is a very common system.

Q. Even under the best management this system prevails ?
A. Yes.

Q. Can you suggest ways to stop it ?
A. It is rather difficult to stop it altogether, unless we educate the workers, but it can be stopped to some extent if the whole management is strict. At present it is not stopped and it prevails to such a large extent and the management connives at it. They know that the system prevails but they connive at it.

Q. Generally it is not in the interests of the mills to connive at it. That would practically mean that an indifferent workman by paying a higher sum to the jobber would be able to get a job and good men may not be able to get a job especially for some time. So that system is against the interests of the mill and I feel sure personally that if these cases are brought to the notice of the management in the proper way and in good number, certainly the management would be very anxious and very glad to take immediate steps to put a stop to the system.
A. They find it difficult to take steps. Perhaps the action of the *dasturi* may reach a little higher than the *naikin*. The *naikin** does not get the whole amount of the *dasturi*. There are other persons who share.

Q. I think that is a far fetched idea.
A. Not at all. It is not far fetched. I can tell you that from my experience. Once or twice these cases were brought to the notice of the agent not by me but by a third party. In one mill there used to be a lady supervisor. She got information, naturally being a lady and appointed for that purpose. That information was brought to the notice of the agent and my own view is that they were morally convinced but they could not deal with that question. They found it difficult.

Q. *President.*—You admit that it is difficult ?
A. I admit that it is difficult.

Q. *Mr. Majmudar.*—Does the system still prevail in several mills ?
A. Yes. The system about *naikins* getting *dasturi* prevails everywhere almost.

Q. Have you any suggestions as to how to do away with the system ?
A. My first suggestion is education.

Q. *President.*—The trouble about your suggestions, Mr. Joshi, valuable as they are, is the amount of time which it would take to carry them out. We are here to investigate a state of affairs which is said to require a speedy remedy. But unfortunately the remedies that you suggest are not exactly speedy.
A. It will also be better for the Tariff Board to make suggestions for permanent improvement, because if the Tariff Board deals only with temporary suggestions, then it will be necessary to appoint Tariff Boards oftener.

Mr. Ginwala.—It can be put a stop to by putting a notice and taking stringent measures and whoever is found guilty should be dismissed.

Q. *Mr. Majmudar.*—With reference to re-employment, you mention the case of men going out of the city due to the strike and being refused re-employment when presenting

* Forewoman.

themselves after sometime on their return. Now so far as the mills are concerned you will understand their difficulty, it is that the mills cannot wait for a very long time. Who could say whether the man will return after two days or a fortnight or a month or two months or after what period ?

A. That depends upon various circumstances. If the man has really served in a mill for 15 or 20 years, I think fairness requires that the mill should take him even if he returns after a month.

Q. What is to happen to the man who has been taken in his place ? That would again be introducing the budli system which you were complaining of.

A. There must be some budli system. We do not say there can be no budli system. There will be some men to take the place of people who go on leave.

Q. What I only want to point out here is that just as the people have difficulty so the management also have their difficulties and therefore when the management complains about labour and labour against management, we ought to find out what is fair and what is the proper solution of the difficulty.

A. Yes.

Q. That is why I am enquiring, whether it is a general complaint and when the man is not taken back, would it be said to be unfair even in cases where people do not return within a week or within three or four days ?

A. That will depend upon the circumstances.

Q. In the particular case that you have mentioned you have no idea when they returned ?

A. *Mr. Bakhale.*—This man returned exactly after a month.

Q. You do not expect the mills to keep the machine idle for a month.

A. In this particular case I requested the manager to employ him as soon as a vacancy occurred, and a vacancy did occur.

Q. And on the day of the vacancy the man was there ?

A. He lives near the compound. He goes there and gets the budli also.

Q. Do you mean workmen go to the mill every day as budli ?

A. Not every day. If he does not get the budli, he comes back. The head jobber knows that he is unemployed.

Q. I am not referring now to the particular man that you are referring to. I am referring to the general statement you make.

A. *Mr. Joshi.*—If in a mill there is a works committee all the cases of dismissals and such cases could be placed before the works committee.

Q. And the works committee should consist of ?

A. It should be a joint committee.

Q. Would it be possible to maintain discipline and would it be possible to argue out these cases in a works committee ?

A. You need not have the whole works committee together. It may appoint a sub-committee of three people to deal with such cases. But you will have greater contentment and more satisfactory work and better discipline

Q. Of course there are certain mills which are trying this. They are having works committees, welfare secretaries and so on irrespective of the heads of the departments. But whether it is feasible for all the mills to do so is a question.

A If one mill can do it, others also can do it.

Q One mill may afford to spend money in these directions. But all the mills cannot.

A They may not afford to have a welfare supervisor. It does not cost very much for a joint works committee.

Q. But then the joint works committee presents difficulties to a great extent. When people meet and commence to discuss questions about the actions of particular individuals you can understand the feelings with which they begin to discuss.

A. But I think on the whole it is not a difficult thing.

Q. *President.*—Who is to represent the operatives on these works committees ?

A. They elect their own representatives.

Q. From outside ?

A Not necessarily. They can elect from among themselves.

Q. Do you consider there are many mills in which they will be able to elect men of sufficient intelligence to help them ?

A. The intelligence required for ordinary cases is not very great.

A. *Mr. Ginwala.*—The Postal Committee has lately appointed an Advisory Council to go into these minor complaints. One representing the Union is also appointed on the Advisory Council.

Q. *Mr. Majmudar.*—In the case of the Postal Union you will admit that most of the people are literate.

A. You mean the postmen and others ?

Q. Yes. they are literate. I do not mean to say that the works committee will not be able to do some good. But I am only pointing out the other side of the question and the difficulties that are likely to arise.

A. *Mr. Joshi.*—The difficulties are imaginary, because we are not accustomed to them. I understand the feeling that there will be no discipline if the manager decides to dismiss a man and the works committee decides to take him back. But after all there is a court of appeal everywhere and everybody knows that there is a higher court of appeal in every case and still the discipline is maintained. The only thing is, the man whose decision is reversed does not like it.

Q. As regards the badli system that prevails in Bombay, do I understand you right that the weavers themselves keep the substitutes ?

A. *Mr. Bakhale.*—Yes, in some cases ; for short periods.

Q. Does not the management pay for these substitutes ?

A. No.

Q. So for the bad work of the substitute, naturally the weaver has to suffer ?

A. Yes.

Q. There are instances cited by you in which I think there are one or two slight mistakes. If the weaver has selected the budliwala himself, certainly you cannot blame the mill for the weaver suffering for the mistake of the budliwala.

A. *Mr. Joshi.*—But there must be some proportion between the mistake and the loss incurred.

Q. Do you believe there are many cases of that nature ? I do not mean to say that this system of selling the spoilt cloth to the weavers prevails in all centres. It may be in Bombay or Ahmedabad and it may not be prevailing in other centres. I do not know what system prevails in other centres. But it is certain that this system cannot be prevalent to a very great extent.

A. It prevails to a very great extent in Bombay.

Q. Out of the total production of the mills, how much do you think is being given over like that ?

A. I have no statistics.

A. *Mr. Bakhale.*—In this particular mill they gave cloth worth about Rs. 2,000 in one month.

Q. *Mr. Majmudar.*—Are all the cases that are cited by you from one mill only ?

A. Yes.

Q. *President.*—Which mill ? The one you mentioned this morning ?

A. No. (The name of the mill was then written down and handed over to the President.)

Q. *Mr. Majmudar.*—You have no complaints regarding other mills ?

A. Yes, there are grievances in other mills also.

Q You have heard complaints only with reference to two mills ?

A. *Mr. Joshi.*—We have made enquiries from the members of our Union and they all say that this system prevails.

Q. *President.*—Which system ?

A. This system of spoilt cloth being given to the workmen.

Q. *Mr. Majmudar.*—Are there no co-operative societies started in the mills ?

A. There are some co-operative societies in the mills.

Q. In order to reduce the rate of interest are you not able to start co-operative societies ?

A. We have started some societies. After all this is a big city and the population to be dealt with is so big that the work done so far has not got much effect.

Q. Can you not take Government help and push on that work ? That would be a great help ?

A. *Mr. Ginwala.*—I suggested to the Postmaster-General to have some Savings Banks for a group of mills and he promised to arrange it by sending a clerk to the mills. After so promising he has now replied that he is not able to do so.

Q. Government will only help you by lending money.

A. They can send a clerk to the mill.

Q. *Mr. Subba Rao.*—We tried the same idea in Mysore, in villages; but it failed.

A. *Mr. Joshi.*—There is scope for the extension of the co-operative movement among the textile workers.

Q. *President.*—Undoubtedly.

Mr. Mafmudar.—As regards the question of wages of the spinners and weavers, if you refer to the year 1918 the difference was not very great. Side boys were getting Rs. 20 and weavers Rs. 27-8-0. Subsequently due to the increase in percentages the difference between the wages grew wider.

A. That was exactly my impression.

Q. If the increase had been by amounts, the difference would have been much less.

A. Yes. The spinners ought to have been given a larger percentage in view of the fact that it was not possible for them to increase their production.

Q. On the calculation that weavers will make up about 10 per cent. of the wages I think the Millowners gave 70 per cent. to the weavers and 80 per cent. to the fixed wage earners. Do you mean that the increase ought to have been in different proportions?

A. Yes.

ANNEXURE A

As was promised during the course of the oral evidence of the representatives of the Bombay Textile Labour Union, I have the honour to send you the following information :—

(1) Membership by mills of the Bombay Textile Labour Union ;
(2) A comparative statement showing a fall in the wages of the cotton textile workers in Bombay in 1926 ;
(3) Mills which have reduced the rates of wages in 1926 ;
(4) Mills which have reduced the number of workers in 1926 ;
(5) Mills giving spoiled cloth to the workers ;
(6) Mills charging their employees for medicine or charity, etc. ;
(7) Mills using old machinery ;
(8) Mills the chawls of which are as bad as those of the private landlords ;
(9) Wages in the Khatau Makanji Mill ; and
(10) Discharge allowances in Japan.

2. Most of the above information (except that contained in Nos, 1, 9 and 10) has been collected from the workers who are members of the Union. We believe that it is correct. The Board may, however, verify it if they think it necessary to do so. From the figures about the membership of the Union given in No. 1, the Board will find that a fairly large membership is drawn from only a few mills in Bombay. I regret, therefore, that we could not secure information in respect of other mills in the city. But we think that we have provided the Board with such data as will enable them to get from the other mills the information on the points contained in our information.

3. I desire to add a word about the Union's membership. The enclosed table shows the membership at a little above 9,000. This figure is taken as it stands on the membership registers of the Union. But I have to admit with regret that all the 9,000 members do not pay their monthly subscription regularly. For one reason or other, some members fail to pay the subscription ; some go out of the city for some time ; some fall ill and find themselves unable to pay the Union. Thus the subscription falls in arrears. It also happens that while we go on enlisting new members, we lose a few old members also. But under the constitution of the Union, we can not remove their names from the register for three or six months ; and, therefore, for some time at any rate the non-paying members have got to be considered as regular members of the Union. Our average monthly collections at the rate of 4 annas per month from each member for the last six months approximately amounted to Rs. 1,575. This gives average paying membership of 6,300.

4. The statement of wages appended to this letter will show that the wages of the workers are actually going down. The figures of wages have been collected from the workers concerned and we believe that they are correct. It is just possible that a few inaccuracies may have occurred here and there ; but they are entirely due to the fact that all the workers do not remember the exact amounts they received during the last few months. We do not infer from the statement of wages that the wages of each and every worker in the cotton mills in Bombay have gone down ; but we do feel that there is a marked tendency of the wages to go down. No doubt the reduction in rates is responsible for this downward tendency ; but it is only one of the causes. We understand that a few mills have put up new varieties the rates of which are less than those the workers were getting for old varieties. The result is that the aggregate wages at the end of the month are found to be less than before. Another cause of the wages going down is that sufficient quantity of beams is not supplied to the workers. This has happened last month in the case of the Emperor Edward Mill. Several looms remained idle for days together ; the wages were, therefore, affected considerably. In the statement of wages of the workers of the Emperor Edward Mill, it will be found that some workers whose looms remained idle on account of the beams not being provided, actually went to other working looms in the mill as " badliwalas " and got some money. I, therefore, request the Board to consider seriously this question of wages and I hope they will arrive at the right conclusions.

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Membership by Mills of the Bombay Textile Labour Union

No.	Mill	Membership
1	Swadeshi Mill, Kurla	1700
2	Khatau Makanji Mill	838
3	Indian Manufacturing Company	721
4	Hindustan	685
5	Emperor Edward	576
6	Swadeshi Mill No. 2, Girgaon	574
7	Madhowji Dharamsi	553
8	Simplex	420
9	Sassoon Silk	418
10	New Kaiser-i-Hind	335
11	Spring	320
12	Assur Virji	307
13	Madhorao Scindhia	306
14	Bradbury	304
15	New Mill, Kurla	279
16	Victoria	237
17	Choi Silk	215
18	Bombay Cotton Manufacturing Company	183
19	Manockjee Petit	151
20	Morarji Goculdas	149
21	Phoenix	99
22	David Sassoon	88
23	Premier	60
24	Imperial	55
25	Jamshed	52
26	Meyer Sassoon	47
27	Presidency	37
28	Jam	36
29	Kastoorchand	35
30	Globe	33
31	Birla	31
32	Tata	29
33	Pearl	27
34	Textile	26
35	Century	24
36	Pabani	24
37	Swan	20
38	Gold Mohur	19
39	Finlay	18
40	Fazulbhoy	18
41	Kohinoor	18
42	Rachel Sassoon	17
43	Currimbhoy	16
44	Moon	16
45	Standard	14
46	E. D. Sassoon	14
47	Jacob Sassoon	14
48	Bomanji Petit	11
49	Elphinston	11
50	Crescent	10
51	Alexandra	9
52	Western India	9
53	Planet	9
54	New Great Eastern Spinning and Manufacturing Company	8
55	Apollo	8
56	Dawn	6
57	Mathuradas	5
58	Shapurji Bharucha	5

No.	Mill	Membership
59	Moon	5
60	Bombay Industrial	4
61	Union	4
62	Turkish Dye Work	4
63	Framji Petit	4
64	Jubilee	3
65	Mahomedbhai	3
66	Dinshaw Petit	2
67	Wadia	2
68	Zenith	2
	Total ..	9,282

II

A comparative statement showing the fall in wages of the cotton textile workers in Bombay in 1926

Emperor Edward Mill. *Weaving Department.*

(*N.B.*—In the case of the Weaving departments of the mills, the workers who remain absent, engage the "badliwalas" and pay them out of their own pocket. The mills include the wages of such "badliwalas" in the pay of tickets of the regular workers and, therefore, for the purposes of this statement, the absentee workers can be said to have worked in the mills for all the days in the month on which the mills were working.)

No.	Name	May	June	July	August	September
		Rs.	Rs. a. p.	Rs. a.	Rs. a.	Rs. a.
1	Pandoo Bahiroo	..	42 0 0	43 0	35 0	..
2	Jijaba Aba	..	..	66 12	55 14	..
3	Bala Dhaktya	..	..	56 12	44 0	..
4	Krishna Dadoo	..	48 0 0	52 0	51 0	..
5	Vali Mahomed	..	48 0 0	47 0	38 0	..
6	Dadu Govinda	..	18 0 0	31 0	22 0	..
7	Vaidali Ismail	..	48 0 0	38 0	35 0	..
8	Govind Laxman	..	49 0 0	47 0	36 0	..
9	Dantada Raghu	..	..	58 0	45 0	33 11
10	Mahadeo Govind (loom 615—16.)	..	..	52 14	38 0	23 0
11	Balu Govind (Loom 387—88) ..	..	45 0 0	49 0	38 0	17 5
	Do. (Badli) ..	..	..	..	..	2 3
12	Sakharam Guna	..	..	45 0	40 0	29 7
13	Dhakya Balu	..	..	45 0	40 0	17 1
14	Baldhaktu	..	..	56 0	44 0	32 2
15	Ganpat Girja	..	54 0 0	53 0	50 0	27 3
16	Noormahomed	43	50 0 0	54 0	39 0	23 12
17	Himat Khaim	..	..	38 8	30 9	28 7
18	Arjun Daji	..	59 0 0	55 0	48 0	25 12
19	Vishram Bhagaya (Loom 343-44)..	..	52 0 0	50 0	45 0	18 0

No.	Name	May	June	July	August	September
		Rs.	Rs. a. p.	Rs. a.	Rs. a.	Rs. a.
20	Vithu Bhendu (Loom 361-62) ..	..	..	54 0	45 0	34 6
21	Tukaram Sonu (Loom 367-68) ..	..	..	..	45 0	28 13
22	Rihasat Bakridan (Loom 765-66)..	..	..	59 0	47 0	37 7
23	Chinku Dildar (Loom 643-44) ..	..	..	55 0	45 0	29 3
24	Babaji Balu (Loom 531-32) ..	..	..	50 0	48 0	16 9
25	Nagu Narayan (Loom 487-88) ..	..	..	..	26 0	27 0
26	Laxman Dulaji (Loom 557-58) ..	..	55 0 0	54 0	38 0	25 5
27	Narayan Ganpat (Loom 677-78) ..	..	52 0 0	39 0	50 0	25 13
	Do. (Badli) ..	..	..	..	..	4 3
28	Walimahamad Kaji Bakash (Loom 417-18).	..	52 0 0	44 0	38 0	25 6
	Do. (Badli) ..	..	..	..	..	3 0
29	Fouzdar Siman (Loom 423-24) ..	..	..	50 0	40 0	30 6
30	Hayat Mahamad Alladin (Loom 413-14)	..	69 0 0	65 0	52 0	42 2
31	Bal Laxman (Loom 335-36) ..	..	51 0 0	54 0	40 0	26 8
32	Loom No. 703-04	..	..	..	40 0	33 6
33	Mangre Moulai (Loom 299-300) ..	..	..	32 0	33 13	30 15
34	Dhondu Balaji (Loom 501-02) ..	48	51 0 0	51 0	41 0	26 8
35	Sonu Govind (Loom 535-36) ..	..	50 0 0	49 0	47 0	35 1
36	Sakharam Balu (Loom 205—6) ..	..	..	..	40 0	27 8
37	Gopal Vishram (Loom 707—8) ..	..	..	50 0	41 0	28 9
38	Jeean Lal Mahamad (Loom No. 415-16).	..	56 0 0	60 0	52 0	30 5
39	Ramchandra Bala (Loom No. 553-54).	47	49 0 0	52 13	55 15	21 9
40	Bhima Bala (Loom No. 551-52) ..	..	25 4 0 (15 days)	50 5	43 0	29 11
41	Khairat Nabibaksh (Loom No. 793-94).	..	..	64 14	48 0	29 11
42	Abdur Zavera (Loom No. 827-28)..	49	52 3 0	49 0	38 0	35 3
43	Mahomad Jikri (Loom No. 829-30).	..	47 0 0	58 0	41 0	33 11
44	Shankar Raghu (Loom No. 675-76).	..	60 0 0	52 0	45 0	32 15
45	Rama Mahadu (Loom No. 563-64).	55	54 0 0	52 0	51 0	15 2
46	Aimulla Sunan (Loom No. 853-54).	..	..	58 0	44 0	38 8
47	Shankar Ganu (Loom No. 947-48).	..	50 0 0	49 0	35 0	29 11
48	Savla Pandu (949-50) ..	..	40 0 0	48 0	36 0	25 3
49	Shamsu Iddan (1087-88) ..	..	..	40 0	50 0	34 8
50	Sitaram Raghu (503-4) ..	45	45 10 0	45 0	37 3	17 5
51	Jayaram Genu (997-98) ..	..	25 0 0 (15 days)	21 0 (15 days)	42 0	30 15
52	Dhondu Gangaram (593-94) ..	..	55 0 0	62 0	59 0	34 13
53	Abdul Karim (411-12) ..	..	57 7 3	49 12	39 15	27 9
54	Govind Gopal (613-14) ..		52 0 0	60 0	43 0	24 6
55	Krishna Ganu (513-14) ..	47	46 0 0	45 0	42 0	21 14

No.	Name	May	June	July	August	September
		Bs.	Rs- a. p.	Rs. a.	Rs. a.	Rs. a.
	Krishna Ganu (Badli) ..	..	....	..	..	1 14
	Do. (Badli) ..	..	....	..	..	2 6
56	Dildar Zagada (1049-50) ..	..	46 0 0	57 0	43 0	38 7
57	Maruti Rama (483-84) ..	..	60 0 0	60 0	44 8	29 6
58	Do. (Badli) ..	..	....	..	..	4 5
58	Yesu Pandu (451-52)	25 (15 days)	51 0 0	51 0	54 0	33 11
59	Loom No. 1203-4	..	47 0 0	38 0	45 0	32 2
60	Hasan Idu (1201-2)	..	45 0 0	56 0	38 0	27 7
61	Dagdu Vithu (485-86) ..	..	60 0 0	45 0	35 0	21 3
62	Umedali Moulabaksh (1105-6) ..	..	..	50 0	57 0	27 14
63	Hassanali Mahamadin (307-8) ..	..	75 0 0	70 0	64 0	25 5
64	Noormahamad Khunnu (993-94) ..	48	60 8 0	59 0	61 8	32 15
65	Ghuru Khunnu (991-92) ..	42	44 0 0	51 0	52 0	25 9
66	Puttaji Vithu (519-20) ..	..	..	40 0	35 0	30 9
67	Gangaram Ganu (529-30) ..	52	55 0 0	50 0	45 0	20 13
68	Sakur Chotai (633-34) ..	44	48 0 0	36 0	26 0	24 5

Madhavji Dharamsy Mill

No.	Name	June	July	August	September
		Rs.	Rs. a.	Rs. a. p.	Rs.
1	Habib-ullah Kudrat Loom Nos. 783-84.	78	77 0	64 0 0	45
2	Mohamad Kasin Ismail Loom Nos. 797-98.	61	59 0	52 0 0	36
3	Line jobber No. 1	....	190 0	133 0 0	....
4	Line jobber No. 2	....	185 0	122 8 0	....
5	Line jobber No. 3	....	190 0	122 8 0	....
6	Line jobber No. 4	....	172 0	106 8 0	....
7	Jobber No. 11	....	105 13	74 1 6	....
8	Jobber No. 12	....	101 7	65 11 0	....
9	Jobber No. 13	....	105 13	58 13 6	....
10	Jobber No. 14	....	95 13	59 12 0	....
11	Jobber No. 15	....	84 2	55 14 6	....
12	Jobber No. 16	....	89 7	57 5 9	....
13	Jobber No. 17	....	74 4	51 3 9	....
14	Jobber No. 18	....	89 4	61 8 9	....
15	Jobber No. 19	....	80 12	67 1 3	....
16	Jobber No. 20	....	96 0	60 0 0	....

Swadeshi Mill, Kurla

No.	Name	June	July	August
		Rs. a.	Rs. a.	Rs. a.
1	Dhondu Sonu Jadhav	....	24 0	38 0
2	Shankar Mahadeo Rane	50 0	54 0	38 0
3	Abdul Rahim	....	52 0	48 0
4	Babu Dagdu Jagtap	50 11	43 14	47 11
5	Sonu Ratnu	....	25 0	23 0
6	Shankar Janoji	28 0	35 0	29 0
7	Anand	....	34 0	26 0
8	Babu Narayn	29 0	26 0	25 0

Swadeshi Mill No. 2

No.	Name	May	June	July	August
		Rs.	Rs.	Rs.	Rs.
1	Fazal Hussen	....	....	60	52
2	Chajjan Imamali	....	....	55	44
3	Mahamad Karim	....	66	63	44
4	Manulla	57	54	40	37
5	Mahomad Sakhawat	54	50	48	44

Khatau Makanji Mill

No.	Name	January	February	March	April
		Rs.	Rs.	Rs.	Rs.
1	Keru Ramchandra Loom No. 693-94..	69	57	44	....
2	Munaji Narayan Loom No. 1107-08 ..	....	....	....	....
3	Sakharam Tukaram Loom No. 1109-10.	....	....	80	60

No.	Name	May	June	July	August
		Rs.	Rs.	Rs. a.	Rs.
1	Keru Ramchandra Loom No. 693-94..	....	....	63 12	48
2	Munaji Narayen Loom No. 1107-08 ..	....	82	64 0	44
3	Sakharam Tukaram Loom No.1109-10 .	44	45	50 0	55

New Mill, Kurla

No.	Name	June	July	August
		Rs.	Rs.	Rs.
1	Bhanudas Dhanaji	61	57	57

III

Mills which have reduced the rates of wages in 1926

	Mill	Kind of cloth on which reduction is made	Old rate	New rate
			Rs. a. p.	Rs. a. p.
1	Swadeshi Mill, No. 2, Girgaon ..	(a) Dhoti, coloured, 10 yards ..	0 2 9	0 2 6
		(b) Dhoti, plain, 10 yards ..	0 3 0	0 2 6
		(c) Dhoti fancy (40 counts; width 40").	0 1 9	0 1 8
		(d) Dhoti (27 counts width 25") 10 yards.	0 2 6	0 2 5
		(d) Dhoti fancy (50" by 54" width).	0 2 9	0 2 6
		(e) Muslin 40 yards ; width 54" ..	0 7 6	0 7 3
2	Emperor Edward Mill ..	(a) Twil	0 1 0	0 0 8
		(b) Khadi	0 0 7	0 0 6
		(c) Do.	0 0 6	0 0 5
		(d) Jangbar	0 0 8	0 0 7
		(e) Dhoti (black border) 4 yards.	0 0 8	0 0 7
3	Madhavji Dharamsy ..	(a) The salaries of all the line jobbers were	reduced by 4 Per cent.	
		(b) Chaddars on jaccard looms ..	0 1 ½	0 0 10½
		(c) Artificial silk Saree one pair ..	0 8 0	0 7 0
		(d) If a worker works on one loom only, he gets 0-7-0; and if he works on two looms he gets 0-6-0, for the same variety.		
4	Khatau Makanji Mill ..	(a) The rates of all varieties were reduced in February 1926.		
		(b) Coating, 27" by 24" width 5½ lb.	0 2 0	0 1 0
		(c) The fixed wages of the employees in the spinning department were reduced in February 1926. The reduction ranged between Rs. 4 and Re. 1.		
5	Assur Virji Mill ..	The rates of almost all the varieties were reduced about 4 months ago.		
6	Chol Silk Mill ..	(a) "Taffeta."	0 1 2	0 1 0
		(b) Artificial saree	0 1 6	0 1 3
7	Sassoon Silk Mill ..	(a) "Taffeta"	0 1 3	0 1 1
		(b) Habdkerchiefs	0 0 10	0 0 8½
8	Simplex Mill ..	The rates of almost all the varieties were reduced in 1925. In 1926, the mill put up new varieties with reduced rates and the result was that the workers began to get less than what they were getting before the strike.		

IV

Mills which have reduced the number of workers during 1926

1.	The Emperor Edward Mill ..	Reduced about 50 operatives from the Weaving Department. It also discharged a few men from the Sizing Department.
2.	The Khatau Makanji Mill ..	The number of employees in the roving, ring and other departments was reduced by about 90 in March last.
3.	The Madhavji Dharamsy Mill.	A few men were reduced from the Mechanic Department. In Spinning Department, the "badliwalas" are not appointed in the place of the regular workers who remain absent. The latter's work is done by the other regular workers, who are not paid anything extra for the additional work they are asked to do. If the number of absentees exceeds 90, a few men doing the additional work are paid some remuneration.
4.	The Swadeshi Mill, No. 1 (Kurla).	Reduced the number of doffer boys by about 100. A few jobbers also were discharged.

V

Mills giving spoiled cloth to the workers

1. The Assur Virji Mill.
2. The Emperor Edward Mill.
3. The Globe Mill.
4. The Indian Mill.
5. The Jubilee Mill.
6. The Khatau Makanji Mill.
7. The Kohinoor Mill.
8. The Madhavji Dharamsy Mill.
9. The Presidency Mill.
10. The Phoenix Mill.
11. The Swadeshi Mill, No. 1 Kurla.
12. The Swadeshi Mill, No. 2, Girgaon.
13. The Simplex Mill was giving spoiled cloth to the workers till the last month; now it is reported to have stopped that practice.
14. The Victoria Mill.

VI

Mills charging their employees for medicines or charity, etc.

1.	The Hindustan Mill ..	Half anna deducted monthly for charities.
2.	The Indian Mill ..	Half anna deducted monthly for charities.
3.	The Jubilee Mill ..	Two annas deducted monthly.
4.	The Khatau Makanji Mill.	
5.	The Madhavji Dharamsy Mill.	
6.	The Presidency Mill ..	(*a*) Two annas deducted every month. Asked why this deduction is made, the subordinate officers are stated to have told the workers that it goes to meet the medicinal charges. (*b*) The pies that the employees get in their wages, are not given to the workers; they are credited in the Mill accounts for charities.
7.	The Victoria Mill ..	Two annas deducted every month. Asked why this deduction is made, the workers are told that it is made for medicinal purposes.

VII

Mills using old machinery

1.	The Alliance Mill	.. Nearly half the machinery is old.
2.	The Bombay Industrial Mill.	....
3.	The Dinsha Petit Mill.	....
4.	The Emperor Edward Mill	.. Machinery in the Weaving department is old.
5.	The Globe Mill.	....
6.	The Hindustan Mill	.. In the weaving section, nearly half the machinery in each sub-department is old.
7.	The Indian Mill	.. Some machinery in the weaving department is dated 1850.
8	The Jivraj Baloo Mill.	....
9.	The Khatau Makanji Mill	.. Nearly half the machinery in the spinning and weaving departments is old.
10.	The Madhavji Dharamsy Mill.	.. Some machinery in the spinning and weaving departments is nearly 25 years old.
11.	The Sassoon Silk Mill.	....
12.	The Swadeshi Mill, No. 1	.. The machinery in the mechanic department is as old as 1862; the machinery in the Ring department is dated 1882; that in the Blow room is dated 1891 and 1896 and some in the weaving department is dated 1893.
13.	The Simplex Mill	.. The new weaving sheds contain old machinery.
14.	Swadeshi Mill, No. 2 (Girgaon)	.. Weaving departments No. 1—7 contain old machinery.

VIII

Mills the chawls of which are as bad as those of the private landlords

1. Textile Mill.
2. Dinshaw Petit Mill.
3. Manockjee Petit Mill (Dorabji Chawls), Tardeo.

IX

Wages in the Khatau Makanji Mill

In their oral evidence before the Tariff Board, the representatives of the Bombay Textile Labour Union had stated that in February 1926, the Khatau Makanji Mill reduced the rates of the piece-workers and the fixed wages of others on the ground that the rates and the fixed wages in the Khatau Makanji Mill were higher than those obtaining in any other mill in Bombay. The Chairman of the Board asked the Union's representatives to supply them with the statement made to that effect by the Khatau Makanji Mill authorities. The following is extracted from the notice put up by the mill authorities on the mill gates on January 25, 1926 :—

"In view of the compromise arrived at between the management of the Khatau Makanji Spinning and Weaving Co., Ltd., and their workmen, the latter having requested the management to continue the working of the mills at a revised scale of wages, the management have decided to do so, though the revised scale of wages is still, on the whole higher than the wages paid by other mills."

Another notice, making certain changes in the above notice at the request of the Union, was put up by the mill authorities on January 31, 1926 and the following extract is taken therefrom :—

"The management have decided to continue the working of the mills at a revised scale of wages though the revised scale of wages is still on the whole higher than the wages paid by the other mills."

The Union not being satisfied with the attitude taken by the management of the Khatau Makanji Mill, took up the matter of the reduction of wages to the Bombay Millowners' Association and requested them to intervene. The secretary of the Association wrote on April 9, a letter regretting their inability to intervene and the following is an extract from that letter :—

" .....my committee are satisfied that the Khatau Makanji Mills did not contravene the undertaking given by the Millowners' Association and that the revision (in wages) was made for the purpose of bringing the basic rates more in line with other mills in Bombay and that the mill could no longer afford to pay the old rates. Moreover I am to point out that the revised rates of wages still remain higher than in other mills."

X

Discharge Allowances in Japan

Reply to Question No. 28 :—" ..... that the (Japanese) operatives are not discharged even during periods of depression without paying them wages for a year or so,....."

The above statement was based on the article, published in the Bombay Labour Gazette, August 1925, under the heading " Industrial Progress of Japan ". The following relevent portion is extracted from that article :—

" It is customary for an employer to consider his workmen as retainers for whom he is responsible regardless of business considerations, and to give excessive discharge allowances, amounting in many cases to as much as a year's salary. During periods of temporary depression, therefore, it is often cheaper for a manufacturer to maintain than to discharge his staff. This makes the employment of labour an inflexible element that cannot readily be adopted to the existing situation." (Page 1201.)

Witness No. 53

THE GIRNI KAMGAR MAHAMANDAL, BOMBAY

Written Statement dated 30th August 1926

SECTION I

General

9. No doubt there has been a fall in the purchasing power of the ryot due to various causes, but cloth being a prime daily necessity for the poorest even and the greater portion of the production of the Indian being of a coarse variety this fall cannot be said to be a cause, to any appreciable extent, of the present depression

SECTION II

Nature and extent of competition between imported goods and those of Indian manufacture

28. The scope of this question is so wide that it is impossible to give a concise reply to the same. Of course the conditions of labour in India and Japan (which is the exporting country against which the millowners are complaining) are different and naturally enough. This difference is reflected in the different standards of efficiency of labour in the two countries. But even then, if along with production the wages rate is also taken into consideration, Indian mills cannot be said to have any advantage. The millowners seem to be laying stress on the point of the lower efficiency of labour in India. But even laying aside the question as to who is responsible for this lower efficiency, we do assert that considering the outturn along with the wages Indian labour will not be found to be inferior to Japanese.

34. Considering the reduced purchasing power of nearly 80 per cent. of the consumers, it is almost impossible for them to indulge in the use of finer qualities of cloth though a superficial observer of conditions in big towns may be led to the contrary conclusions.

SECTION V

Mill Finance

47. We do not wish to say exactly that the shareholders were not entitled in those years of extraordinary prosperity to large dividends. But business instinct and shrewdness ought to have told the responsible parties that as sure as night follows day, so also depression was bound to set in after a period of prosperity. If the millowners had built up strong and substantial reserve funds during the boom period, though they would not have prevented depression setting in yet they would have enabled the mills to withstand its evil effects much more effectively. It is not for us to find fault with the millowners, but it is sad to think that such imprudence was possible on the part of those who come forward to blame ignorant labour for its imprudence. The Board has no doubt before it the actual figures of the dividends paid by the various mills and it will be superfluous on our part to quote figures. But we may point out that some mills have been paying during these years more than 50 per cent., *i.e.*, they have repaid the capital more than twice over. Moreover if the extra profits of the boom period had been utilised in organising the industry more effectively it would have also to some extent prevented the present depression.

SECTION VI

Costs of Production

A. -General

55. As far as only output is considered the decrease on account of old machinery may be taken as about 10 per cent. But in addition to the decrease in output, old machinery affects indirectly the efficiency of a mill in many ways. It gets out of order more frequently, is not so smooth-working and requires much more attention from the workers. Apart from that there is this consideration that old machinery prevents the mill from taking full advantage of the latest improvements.

C. Labour

64. Emphatically not. It is true that the wages rates are higher now than in pre-war years. But this increase has not been confined to wages alone. There has been an all-round increase everywhere in the costs as also in the prices of cloth. So it is grossly invidious and unfair to blame the increase in wages only and hold it responsible for the present depression. We cannot say anything about Ahmedabad and other centres.

65. It is grossly unfair and far from the truth to say that between 1918 and 1923 workers were paid unduly liberal bonuses, on the other hand we consider that labour as forming an important factor in the production of cloth, was not given its due share in the abnormal profits made during the boom; even the meagre share it got had to be wrested from the millowners through a strike during which some persons were shot and several wounded. Labour had also to lose its wages for a period ranging from 20 to 60 days, during which the strike lasted. The meagre bonuses earned at such a high sacrifice can never be said to be unduly liberal. They were paid out of the actual profits earned and cannot have contributed even remotely to the present depression. They cut a sorry figure when compared with the huge profits that were given to the shareholders.

66. The reduction in the output of yarn and cloth on account of the reduction of hours of labour was 10 to 8 per cent. respectively.

67. One ring frame contains 320 or 360 spindles. A competent spinner works 160 to 168 spindles. A competent weaver easily works 2 looms.

68.

Year	Spinner	Weaver	Increase per cent.
1914	15 0	22 0	..
1917	16 8	24 3	10
1918	17 4	25 4	15
1919	20 4	29 11	35
1920	23 4	34 12	55
1921	25 8	39 9	70

From 1921 to the present time the rates have remained stationary.

69. It is difficult to state these figures exactly as they differ somewhat in different mills. Moreover standard grey calendered long cloth covers a variety of cloth. Still on an average we quote spinner's wages per pound of 20s yarn as 1½ pie and a weaver's wages per pound of cloth as 8 pies.

70. This question has been partly answered in our reply to question No. 28 above. Given the same environments and conditions of labour, Indian workmen will not lag behind any other workers. There is somewhat lower efficiency in Indian labour at present, but as we have pointed out above, a comparison of the labour cost of a unit of work will show that Indian labour is in no way inferior to foreign labour as regards cost. Bombay labour is a little more efficient than Ahmedabad labour which in its turn ranks a little higher than up-country labour.

71. The Board has already before it the official figures of absenteeism in Bombay as given in the *Labour Gazette*. Its percentage is highest immediately after pay day. Moreover, it is more marked amongst females than amongst men. Besides this monthly absenteeism, there is a kind of seasonal absenteeism when workers go to their villages for some weeks at a stretch. This is unavoidable as long as a labourer looks upon Bombay only as an unavoidable but necessary evil to which he must submit for his living during the period in which he has nothing to depend upon in his village. This state of things is bound to continue as long as the conditions of living for labour in Bombay are not improved and labour does not come to look upon Bombay as its permanent residence.

72. The " Budli " system does adversely affect the efficiency of labour, inasmuch as the " Budli " has no incentive to put forth his best as his job is a makeshift.

74. We have no information about up-country centres; so comparison is impossible. Long service bonuses and provident funds will to a certain extent increase continuity of labour supply; but Bombay labour will to a large extent remain of a migratory nature as long as the root causes which make it so are not removed.

75. A few mills in Bombay house their labour. We cannot say what return they get on the capital invested. But the tenements provided by the mills are not quite suitable to the requirements of the labour. The greatest drawback of these tenements is that the worker is left entirely at the mercy of the millowner and repeated experience has shown that these houses have been used by the owners as a great instrument in putting down any strike agitation by threats of immediate ejection. No wonder then labour fights shy of taking advantage of these rooms.

The Development Department of the Bombay Government has also built in the mill area a number of chawls ostensibly meant for the workers, but these chawls, besides being built without the least regard for the requirements of labour and its mode of living, are to be had only at rents which are simply prohibitive for ordinary labour. The less said about these chawls the better. They can only be described as pigeon-holes or pig-stics.

Improved housing conditions are bound to improve the efficiency of labour to some extent. After the Development chawls *fiasco* it is difficult for us to say as to how far it is possible to secure such conditions in Bombay.

76. The Victoria Jubilee Technical Institute affords facilities for technical education for the supervising staff but for operatives there is absolutely none. The Social Service League has some arrangements for the training of operatives, but without in the least trying to minimise the League's efforts we can only say that this is more like an advertising stunt than a real institution for the operatives. Of course the efficiency of labour is bound to be increased to an appreciable extent by giving it facilities for technical training, but so far none of the mills has made any efforts in this direction.

77. Wages in the Bombay mill industry have never been and are not in any way higher than in other industries. Had that been the case, the law of demand and supply would automatically bring down the level and mills would be flooded with labour from other industries anxious to earn higher wages. But every one knows that that is not the case. Unfortunately, we have no figures for other industries, but the recent strike of scavengers in Bombay has brought out the fact that they are paid Rs. 23, while a spinner gets only Rs. 25 per month. This clearly shows that mill labour is not paid anything much more than scavengers even. Surely this does not indicate that mill labour is paid higher than other labour. Of course weavers fare a bit better ; but that is skilled labour.

78. Yes. To some extent mill labour has learnt to be somewhat more clean, neatly dressed and to care for the education of its children.

79. There can be some saving with automatic looms if the machinery is standardised and looms are worked for the same kind of cloth all the year round. But this does not seem possible at present in Bombay.

80. If operatives are properly trained and some inducement is also held out to them, there is sure to be a reduction in working costs. But unfortunately nothing has been done in this direction till now by the mills and so no improvement can be expected. This is a very practicable and valuable suggestion. Labour can easily be trained gradually to tend more spindles and looms. Gradually carried out, this is bound to be a success. But at the same time, owners must not expect to reap all the benefit of this increased output. In that case there cannot be any incentive to the worker to progress if he is paid the same as the other workers with lower efficiency.

82. Under the present circumstances it would not be advisable to introduce double shift working in Bombay mills.

Section VII

Remedial Measures

104. We are certainly in favour of duties on all imports as this will protect our industry and the benefit of which we will naturally expect. But the Government should impose such duty strictly under this condition that a due share of the benefit arising therefrom should be utilised towards improving the condition of mill-workers.

Annexure A

A statement of the grievances of mill workers

In our written evidence our grievances could not be set forth and as we think that in the oral evidence also as our representative's answers will be confined to your questions alone, it is unlikely that such grievances can have opportunity to be placed before you, there is no other alternative but to submit this separate statement.

We had addressed His Excellency the Governor of Bombay, requesting him to allow us the opportunity of placing our grievances before you and in the reply dated 13th August 1926 received by us from His Excellency's Secretary (a true copy of which is sent to you

for perusal) we have got His Excellency's assurance that we would be given the necessary opportunity to represent our grievances direct to you. We, therefore, trust that the following grievances will receive your kind consideration and that you will recommend to the Government of India that the necessary action be taken to remove them as early as possible.

Upto now the causes that have been put forward for the depression in the cotton textile industry in India are one-sided only, that is, the millowners' side only; but labour, though forming the chief factor in the prosperity of the mill industry, has been totally ignored.

The labour side of the mill industry is so important that no effort that ignores the interests of labour will lead the industry to prosperity. In other words, the prosperity of labour is the prosperity of the industry. And just as any of the two parts of a body, *i.e.*, right and left, cannot be separated, so also the labour question cannot be separated from the mill industry question.

As long as the mill labourers are in a state of misery from all sides, the mill industry cannot expect to improve in the least and therefore in advocating help to the mill industry according to the requests of the millowners, your Board should not omit to recommend that the due share of it should be given to labour as well.

We cannot but expose the real fact that the attitude of the millowners towards their workmen is most cruel. The following details will convince you as to what extent we are neglected by them :—

(1) *Negligence on the part of the millowners to impart school education and technical training to their workers and their children*

The millowners complain that mill-workers in India are uneducated and that they are not so expert as foreign labourers. This statement of theirs will on the face of it show who is at fault. Was it not the duty of the capitalist millowners to educate their workers and also train them in technical knowledge ? Could they not have done so by utilising a small part of the capital invested in the industry towards this purpose ? Certainly they could have, only if they had wished it. As they have not done so, they have no right to put forward this complaint. At least such facilities are now immediately required, and if the millowners may require any help from Government for this and if the Government can afford to render any such help, the same will be welcomed by the workers. On the other hand if the millowners want their industry to prosper they should first direct their attention to educating the children of their present workmen so that the coming generation may be found as efficient as they expect.

For the present mill-workers, the arrangement for technical training can also be made, but such technically trained workmen must be offered enticing wages, otherwise nobody will care to take advantage of such an institution. As a matter of fact the workers get practical training while working in the mills and of those who show more efficiency and skill in their work are encouraged by promotion to the higher posts with higher wages, the industry will thereby certainly profit. But it is generally found that men of influence through a lack of any technical knowledge or practical experience are appointed at the heads of skilled workmen and as the workmen cannot but listen to their unjust orders, the industry has to suffer the consequences by way of loss in production or inferior quality of goods or in many other ways.

(2) *Housing*

Next to education, the most important question which comes in the way of mill-workmen is the housing accommodation for them. Owing to heavy rent, they cannot afford to rent decent rooms for their residence. They, therefore, prefer dirty but comparatively cheap rooms and thus as they are subjected to unhealthy climatic environments both in mills while at work and at their residence when they come back to take rest, not only they themselves suffer but the effect is seen in their female members and especially children.

Thus there is a greatly felt want of suitable housing accommodation not far from the mill premises in which they work, without they being subjected to any kind of unnecessary harassing.

(3) *Bonuses and Provident Funds*

Mill-workers have no certainty of getting any benefit from long and faithful service but on the contrary they are always afraid of losing their jobs any moment even

after long service. And naturally when the workers grow old their position becomes the more pitiable when they find that they have no source whatsoever to depend upon in their old age after having rendered long service without caring for their health even. Moreover they find their children without any support and cannot see their way to make any provision for them. In order to ensure continuous attendance the workmen should be given the enticement of yearly bonuses and moreover to enable skilled workmen to stick permanently to their jobs there should be fixed some scale of provident fund proportionate to the length of service. This will not only avoid calamity falling on the workers in their old age but it will also make the necessary improvement in the quality of work produced by them.

(4) *Leave and justifiable absenteeism*

The mill-workers have their usual household difficulties such as sickness or sickness of their children or any near relative who may be depending upon them. If the worker is a female and her husband is ill, she cannot leave him alone at home and go to the mill-premises to ask for leave. Even if her child is ill, the case is the same. So also for a man. Such absenteeism is pardonable and should be allowed without any penalty of dismissal. At the most the absent days may be cut. There should be some sort of leave regulation whereby a worker can be entitled to a month's leave and some days casual leave in a year so that he can take advantage of such facility when absolutely necessary. If any worker has to absent himself for a funeral ceremony, then also he has to lose his job. There have occurred many instances of this kind. This should be immediately stopped. When the workers have to absent themselves from work for any of the above-mentioned causes, it becomes difficult for them at present, to get the wages for the days they work. And usually they are asked to produce the doctor's certificate that they were ill. That means, every worker when he falls ill, must go to a doctor and where there is a doctor of the company, he must go to him. This is impossible. The mill-workers, first of all, cannot afford to take doctor's treatment as it is costly and therefore beyond their reach and secondly because they first try their household remedies or go to a country vaidya (practitioner). Under such circumstances they cannot in many cases produce any medical certificate and thus they have to lose their jobs as also wages for the days they might have worked. Even when they produce certificates, they are told that their numbers have been filled up and no number is vacant. Many instances of this nature occur every day. This should be immediately put a stop to.

(5) *Change in management is a compulsory dismissal of old hands*

The change in management of a mill means calamity for the old workers. If the existing manager, weaving master or spinning master resigns, gets dismissed or leaves for any other reason and in his place another man comes, the old workers under him are compelled to either resign or are dismissed for the reason that they are too old. Why then do the millowners complain of the inefficiency of the workmen ? Will this change not make a mess of things ? Cannot the millowners do anything to improve these things ? Such a system should be compulsorily stopped and in case the old hands are dismissed they should be paid substantial compensation for such kind of abrupt dismissal.

(6) *Very low wages*

The wages that are paid to the mill-workers in this city are low in comparison with the high rate of living and the workers find it quite impossible to make both ends meet. At the time of the last strike when a deputation approached His Excellency the Governor of Bombay, one millowner remarked that even females along with their males go to work in the mills and thus their income is quite sufficient for their maintenance. This means, labourers must send their wives and children also to work in order to enable them to defray their necessary expenses, no matter in what condition their wives and children may be and thus if they ruin the lot of their family it will not move the heart of the millowners. When the females go to work, it is because the wages of the males are insufficient to maintain them and it is no use saying that because females also go to work, the present wages are sufficient. We demand, therefore, and rightly so that our wages should be increased so as to enable us to keep body and soul together.

(7) *Comparison of our efficiency with that of foreign labour*

The millowners every now and then put forward the excuse that we are not as efficient workers as foreign labour. But this is absolutely false. When they compare the efficiency, why do they not compare the wages paid to the foreign workers ? We know that what foreigners get as their weekly wages, we do not get even in a month. If we are paid higher wages we will show higher efficiency in our work and we will certainly rank higher than foreign labourers. Besides, in foreign countries every new and improved device and new machinery is substituted in the place of old machinery and naturally the efficiency of their workmen increases. Whereas, here generally the machinery is old, materials insufficient or not quite suitable and also the quality of cotton used is inferior but even with this the mill-owners expect more efficient work from their workers. How can this be possible ? And under such circumstances how can the comparison be made of our workers with those of England or other countries ?

(8) *Females when pregnant*

A bill was brought forward to the effect that when the female workers are pregnant they should get leave with full pay. But this was strongly opposed by the millowners. This will make it more clear how kind the millowners are towards their workers. And it is strange that they should expect the workers to be grateful to them. We demand that at least when the pregnant female worker is on the point of delivery she should get one month's leave with full pay.

(9) *Money Lenders in Mills*

In some mills money lenders are appointed to advance loans to their employees. But no care is taken to put any restriction on the rate of interest to be charged by them and thus they charge a very heavy interest and thus the mill-workers are mulcted. We demand that there should be a restriction on the rate of interest to be charged by the money lenders appointed by the mills.

(10) *Fines*

Even for insignificant mistakes we have to pay heavy fines. Sometimes the fines are so big as to swallow the whole of a month's pay of a worker. There are not a few instances where one man commits mistakes and quite a different man has to pay the fines. And if he is bold enough to compiain against this kind of injustice he gets immediate dismissal on the ground of insubordination. And if he brings this matter to the notice of outsiders and continues to work in the mill he is harassed in such a way that it becomes difficult for him to continue to serve there. As a recent instance which occurred in a local mill will interest you we take permission to cite it here. A weaver conducting looms Nos. 1866-67 in the Jacob Sassoon Mill is drawing Rs. 42-2-0 as his wages per month. He was recently fined Rs. 16-11-3 and cloth of that value was thrown upon him to be paid for by him. This was published in the " Kamkari " paper. Since then every superior above him, from katlooker to the weaving master has been after him in turns and they have kept a watch on his work so much so that every effort is being made to take up much of his time by calling him away from his work very often and thus naturally when the production becomes less, he is asked to explain why. Just to make him leave work, his looms were kept closed for three days on the pretence of making repairs and he was asked at the end of this period why there was no production. Is this not a bad instance ?

We request that some provision should be made as to when fines should be imposed and to what extent.

(11) *Assaults*

Assaults on mill-workers is general. Even the females are not free from such assaults. We request that this should be strictly prohibited. Otherwise the mill-workers will rank as nothing more than beasts.

(12) *Ourselves*

To ventilate our grievances and publish such other information as will prove of interest to the workers and as will make them aware of the state of things and make all-round improvement in the condition of the workers, we have been

conducting a newspaper bearing the title "Kamkari". Though this paper is not ably edited yet it is serving its purpose of promoting the welfare of the workers. And the Girni Kamgar Mahamandal gives its whole-hearted support to this paper. We request that Government should extend their sympathy towards this humble efforts of ours. We now take permission of saying a few words about ourselves that is the Girni Kamgar Mahamandal. Up to now many outsiders, who though they knew nothing about mill-workers' conditions nor had any real desire to uplift the workmen's cause, tried to take our lead and did many things in the name of mill-workers though the mill-workers were kept in the dark as to what is being done in their name. To receive monetary help from Russia in the last strike was one of many acts done by these self-assumed mill-worker's leaders, without caring to understand the real wish of the workers themselves. This act of receiving help from Russia is, indirectly, disloyalty to the Crown and we strongly disapproved of this act when the same came to our knowledge. We had, therefore, to form our own Association solely consisting of the mill-workers in order to enable us to manage our own affairs as we wished. Ours is therefore a legitimate Union.

In conclusion, in order that there should exist good will between the mill-workers and the millowners, the millowners should look after the mil-lworkers' interest as their own and care more for their uplift by rendering them the necessary facilities and help and the workers are bound to respond to their demands. Not only this but the workers will be extremely grateful and will be ready to pay a substantial return by way of good quality and quantity of work and when necessary they will not grudge over-work for their owners.

We have not forgotten the many philanthropic works carried out by some millowners such as Sir N. N. Wadia and others and we are much indebted to such charitable hearted millowners in spite of our above complaints which should be noted.

Lastly, we are of opinion that if a permanent Board is appointed to settle any disputes between the millowners and mill-hands, it will help a great deal to solve the problem. We suggest therefore that a Board should be appointed of say three gentlemen of whom one should represent the millowners, one the mill-hands and one from outside who must be impartial but public spirited men and of good standing. We further request that the gentlemen representing the mill-workers should necessarily be one from amongst mill-workers and elected by the mill-workers' associations existing at present. We should also be given opportunity to send our own elected representative in the forthcoming local council election.

Witness No. 53

THE GIRNI KAMGAR MAHAMANDAL, BOMBAY

Oral Evidence recorded at Bombay on the 10th September 1926

The following gentlemen represented the Girni Kamgar Mahamandal, Bombay :—

Mr. D. R. Mayekar,
Mr. S. D. Kusgavakar,
Mr. P. G. Dandavate,
Mr. R. T. Masurkar, and
Mr. S. R. Murkar.

President.—Will you tell us what the Girni Kamgar Mahamandal is ?

A. *Mr. Dandavate.*—I come to speak for them. The other members are not able to speak English.

Q. Will you tell me exactly who they are ?

A. They represent the Girni Kamgar Mahamandal or Millworkers' Union. It was started over three years ago. The present strength is 3,500. There are workers from 22 mills numbering 3,500. That is the present membership.

Q. And who are the office bearers ? What is Mr. Mayekar ?

A. He is the Secretary.

Q. Does he work in a mill himself or is he the General Secretary doing nothing else?

A. He actually works in the Colaba Land Mills.

Q. Where does Mr. Kusgavakar work ?

A. He is working in the Kastoorchand Mills.

Q. As what ?

A. As a jobber.

Q. Mr. Masurkar ?

A. He is in the Dinshaw Petit Mills.

Q. As ?

A. As ledger clerk.

Q. Mr. Murkar ?

A. He is a warper.

Q. Where ?

A. In the Sassoon Silk Mill.

Q. Are all the office-bearers of your Union themselves workers ?

A. Yes.

Q. Have you no outside office bearers ?

A. No. That is a special feature of this Union.

Q. What exactly are your relations, or have you none at all with the Textile Labour Union that has just appeared before us ?

A. We have no particular relations with them.

Q. You run this Union yourselves ?

A. This Union was started specially with the view that it is far better that the workers should themselves conduct the work of the Union than that outsiders should come in.

Q. One of you is a jobber. We have been hearing much about the evils of the jobbing system, and especially that the jobbers recruit labour. Does this gentleman recruit labour himself ?

A. Yes.

Q. Does he dismiss it ?

A. In most of the mills that is in the hands of the manager.

Q. Does the jobber recommend to the manager that a man should be dismissed ?

A. The jobber simply puts the whole case before the manager and the manager decides.

Mr. Majmudar.—You mean the head of the department, say the weaving master ?

A. Yes.

Q. They say that considering the outturn Indian labour will not be found to be inferior to Japanese as regards cost. Do they know how much pay the Japanese labourer gets a month ? How many spindles and looms does he look after ?

A. They have not got definite data about the Japanese.

President.—The position is, Mr. Dandavate, that we have been investigating labour questions for the last two days and we find that your Union has not told us very much

that the Textile Labour Union has not already told us. You have stated the case very fully, and from your point of view very well, and we have really very few questions to ask. The reason why we asked you to come this afternoon was we wanted to see who you were and find out something about you so that we could gauge the value of your written evidence. That is why we brought you here, not so much with a view to ask you very many questions, because we have already discussed the matter at great length with Mr. Joshi and his colleagues. But there is one point that you have mentioned on which we should like to question you. You say assaults on mill workers are general. By whom ?

A. By the jobbers who are their immediate superiors.

Q. How many jobbers have you got in your Union ?

A. From 50 to 60 jobbers are members of the Union.

Q. How many jobbers would there be in a mill ? Take Mr. Kusgavkar's mill. How many jobbers will there be in his mill ?

A. In the Kastoorchand mill, there would be about 25 in the weaving department.

Q. How many men has he got to look after ?

A. Twenty.

Raja Hari Kishan Kaul.—You want your candidates to be elected to the Legislative Council at the forthcoming local Council elections ? Is that one of the objects with which your Union was founded ?

A. Not exactly. Now the Union thinks that it would be useful for them if they had a representative of their own in the local Council.

Q. The Union represents 3,500 workers. There is another Union which represents 9,000. Why do you wish to keep a separate Textile Workers' Union and don't merge yourselves in the other Union ?

A. The viewpoint of those who started this union is that the Labour Union should be conducted by the labourers themselves.

President.—Also is it not the case that you were there first ? You preceded the other Union in point of time. You have been founded for three years. They were only started this year ?

A. Yes.

Raja Hari Kishan Kaul.—Why don't you merge in the Labour Union ? Have you got enough people to work the Union ? These people do not know English ?

A. Of course occasions like this arise only rarely. Absence of knowledge of the English language cannot be treated as want of ability. I am an outsider. They want only the workers themselves to work their Union, and they have been working for the last three years, and they are conducting a newspaper also, a weekly called *Kamkari*.

Q. Who runs it for them ?

A. Mr. Mayekar runs it for them.

Q. A weaving master or a spinning master could be a member of your Union ?

A. No. They are officers.

Q. Then you limit your membership to the workers and clerks ?

A. Yes, clerks and jobbers also. There is of course the question whether the weaving master or the spinning master would like to join.

Mr. Subba Rao.—In answer to Question 68 you give a list of wages. Are they taken from the accounts of any one mill, or are they a general average ?

A. The figures do not relate to any particular mill.

Q. How do you get this average ?

A. They have got these figures and have then taken the average.

Q. Of how many mills ?

A. Say, five or six mills.

Q. The Union has been in existence for only three years but they have gone back to 1917, 1918, etc. How did they get the figures ?

A. They have got these figures from 1914 and all that from the accountants.

Q. It is based upon actual records ?

A. Yes, Sir.

Q. There has been no guess work ?

A. No.

Q. Could you give us the exact figures on which these are based ?

A. Later on. Yes.

Q Please give it year by year separately.

President.—We want to know how the average is worked out. We would like to see the exact figures.

Mr. Majmudar.—You say that money lenders are appointed to advance loans to the employees in some mills. Who appoints these money lenders ? Do the millowners appoint the money lenders ?

A. In some cases the manager may appoint them.

Q. Do they appoint a number of men or only one man ?

A. They make arrangements with some of the shop keepers, some merchants, that they should advance money. And as soon as the worker gets his pay the sowcar takes the money.

Q. Is it one firm in each mill or a number of them ?

A. The responsible party is only one. Of course there are so many working in different departments.

Q. But the firm would be one ?

A. Yes.

Q. And what is the rate of interest at which money is lent ?

A. The rate of interest varies. Sometimes it is one anna, sometimes half an anna in the rupee per month. In some cases the mills themselves lend the money to the operatives.

Q. At what rate of interest ?

A. A quarter anna per rupee per month. About 18 per cent. per annum.

Q. In all the mills, are the money lenders appointed by the managers or is that only in the case of a few ?

A. In many mills. They cannot say all the mills.

Q. Then in reply to Question 55, you say "As far as only output is considered the decrease on account of old machinery may be taken as about 10 per cent." Would it be possible to get a statement showing the mills where the output is low owing to old machinery ?

A. It is not possible for us to give details to you. Of course it won't be possible for us to give detailed information about any particular mill, but here are some of the operatives actually working there.

Q. If you can give us information about some mills it will be of use to us.

A. It would be impossible for us to give a detailed statement about any mills. But here are our operatives.

Q. You can send the information afterwards, if it is possible for you to do so.

A. I do not quite follow you.

President.—You say that the decrease on account of old machinery can be taken at 10 per cent. We want to know to what mills you are referring ? You can send us the information if you do not wish to mention the names of the mills.

A. Yes, we will do so.

Mr. Subba Rao.—You say that when a manager or a weaving master is dismissed or resigns all the workers in his department are also made to resign or are dismissed Does that happen frequently, or does it happen anywhere at all ?

A. Yes, it actually happens.

Q. How often ?

A. It has happened in more than ten mills.

Q. How many are dismissed ? Could you give the number in any one case ?

A. Whenever the weaving master is dismissed generally the jobbers working immediately under him, have to go away.

Q. The jobbers and the men working under the jobbers ?

A. Of course the actual operatives are not dismissed, but they have to go by and by when the jobber goes away.

President.—What you mean is when a weaving master or spinning master resigns and a new man takes his place he gets his own jobbers as he likes to take his own people ?

A. Yes.

Q. You don' t mean that the millowners, the mill agents actually dismiss the men.

A. No, we do not say that.

Q. Gradual changes are brought about ?

A. It is not exactly the agents themselves who dismiss these people, but they are made to go away, and if any complaints are made they do not pay very much heed

Witness No. 54

THE MADRAS COTTON TEXTILE LABOUR UNION, MADRAS

Written Statement, dated the 21th August 1926

I am directed by the Executive Committee of the Madras Union to place before you the following replies to some questions of the Tariff Board's questionnaire with regard to which the Committee is in a position either to tender some information or to formulate its views. The Committee will be glad to depute representatives to tender oral evidence when the Board visits Madras. Some of the questions call for precise and systematic figures which my Union is naturally not in a position to supply; they can, however, be easily ascertained by the Board by an examination of the mills in this city and their records. But the Committee would request the Board, however, to give it an opportunity of comparing the figures thus obtained with such information as it happens to have in its possession.

SECTION VI.—COSTS OF PRODUCTION

C.—Labour

64. The Committee does not accept the view. In the Buckingham Mill, weaving department, for instance, the comparison between pre-war rates and the present rates would be indicated approximately thus: about 8 annas were paid before the war for one piece (40 yards); but now on the new looms, about 5 annas are paid for the same outturn. The Committee admits that workmen working on the old looms are paid a little more than before. But the total sum disbursed as wages is, for the same outturn, much less. There have been large reductions of the number of workmen employed. About 330 men, in one instance, attend to work on which about a 1,000 men were employed formerly.

65. There has been no liberal, not to speak of unduly liberal, distribution of bonuses. In the Buckingham and Carnatic Mills, the system of giving bonuses was started seven years ago. The workmen are given as bonus only 10 per cent. of the total income earned as wages for six months. If an operative earns say Rs. 30 per month, he is given Rs. 18 (6 × 3) after six months of work. It is not equal even to one month's wages. In the Choolai Mill, there has been no bonus for the last three years. Previously a sum equal to one month's wages was paid as bonus in a year; but the rates of wages were and are very low, compared even to the rates in other mills.

66. Production has increased in spite of and, indeed, because of the reduction of the hours of work.

67 (*b*). One weaver for 1 Lancashire loom in the Buckingham and Carnatic Mills. One weaver for 6 Northrop looms in the Buckingham and Carnatic Mills.

(*d*) Lancashire looms 100; weavers 100; weft server 1; total 101. Northrop looms 100; weavers 17; magazine fillers 8; weavers helpers 4; oilers 4; peace carrier 1; empty bamboo carrier 1; clerk 1; total 36.

68. In the Buckingham and Carnatic Mills there has been an increase of wages by 55 per cent.; in the Choolai Mills there has been very little increase.

69. Average spinner's wage for 20*s*. 1 lb.—2 annas 7 pies; weavers wage for 20*s*. 1 lb.—4 annas 7 pies.

70. Indian labour especially in Madras is, in the opinion of the Committee, not inefficient; on the other hand, considering its handicaps and hardships, it must be pronounced to be remarkably good. The average labourer is hard-working, conscientious, docile and intelligent.

71. (2) On Mondays there is more absenteeism than on other days, partly because of the difficulty of getting leave. The workman, if he has to go out of town for any private business, has to do so on Sundays; and often he is unable to return to the city in time. It is also a fact that exhaustion due to over-work is a cause of absenteeism. The effects of it make themselves felt when the operative is in a state of relaxation on Sunday. Variations in the percentage of absenteeism are not seasonal in Madras. The percentage is not larger among females than among males. In the Buckingham and Carnatic Mills attendance bonuses are given; but not in the Choolai Mills. If an attendance bonus is given every month, instead of once in six months, attendance will improve.

72. The "budli" system may be estimated to affect efficiency by 30 per cent., it must be abolished.

74. There is plenty of labour available in Madras. There is no reason to complain of want of continuity at present. Long service bonuses are not favoured by the Committee Bonuses must be paid each month; or they may be converted into wages. Long service bonuses are used by employers to keep the work-people under their control.

75. A very small percentage of their work-people are housed by the Buckingham and Carnatic Mills; the Choolai Mills do not provide any such convenience. Better housing conditions will undoubtedly improve the efficiency of labour very considerably. But the Committee of the Madras Labour Union very strongly recommends that the provision of houses must be under the auspices of the Government or the public authorities rather than those of the employers.

76. There are no facilities at present. The efficiency will be greatly increased by the provision of facilities for technical training and inducements to the work-people to avail themselves of those facilities.

77. No. Rates of wages in carpentry, workshops, bricklaying and many other industries are higher. After 10 years' work in the carpenter's trade, a man earns about Rs. 1-6-0; but after 10 year's work in the spinning department in mills, he earns only about annas 8; and in the weaving department about annas 12.

78. The standard of living has certainly not improved; in certain cases it has even deteriorated. While wages have risen in the Buckingham and Carnatic Mills by 55 per cent., the cost of living has proportionately increased.

79 & 80. The Madras Labour Union would protest most vigorously against the adoption of any methods, with a view to reduction in the labour costs in mills, which will either place on the workmen a greater strain of work or involve reduction of his remuneration.

82. The Union is opposed to the system of double shifts, as it will involve night work. If the number of hours is sufficiently reduced, without detriment to wages, labour will consider the proposal.

83. We are unable to estimate the extent. The cost of production might have increased somewhat; but that is no argument against such legislation. Payment of adequate wages and maintenance of suitable conditions of work must be regarded as a first charge on the industry. No man's honest labour is worth so little that he cannot thereby keep himself and his dependants in a state of reasonable comfort and security. The question of reducing labour costs must be considered subject to this principle.

Witness No. 54

THE MADRAS COTTON TEXTILE LABOUR UNION

Oral Evidence of Mr. M. S. Madhava Rao, recorded at Madras on the 21st September 1926

President.—Will you tell us, Mr. Madhava Rao, when your Labour Union was started ?
A. It was started on the 13th of April 1918.

Q. Is it confined to operatives in the textile mills here in Madras ?
A. Originally it was not. But latterly, it was reorganised and consists now of the operatives of the textile mills.

Q. How many members have you got ?
A. We have a membership of 6,000.

Q. From what mills ?
A. From the Buckingham and the Carnatic Mills and the Choolai Mills.

Q. How many from each of the mills ?
A. About 2,500 members each from the Buckingham and the Carnatic Mills and 1,000 from the Choolai Mills.

Q. Do you include practically all the operatives in those mills ?
A. Not all.

Q. How many operatives are there in each of those mills ?
A. I think in the Buckingham and Carnatic Mills there are 9,000 and odd people. Altogether there must be about 12,000 in all the three mills.

Q. Are you the President of the Union ?
A. No. The President is Mr. B. Siva Rao.

Q. Are you any officer of it ?
A. I am not even an officer of the Union. I am assisting Mr. Siva Rao during his absence.

Q. How is it you come on behalf of the Union if you are not an officer of it ?
A. Because there is no officer who can speak English. So they have requested me to assist them in framing the answers to the questionnaire and also to be their spokesman before this Board.

Q. What is Mr. Siva Rao ? Is he a lawyer ?
A. No, he is a journalist.

Q. Connected with which journal ?
A. With ' New India.'

Q. You say you do not agree with the view that ' the main factor which has contributed to the present increased cost of manufacture is the higher remuneration given to labour for a smaller unit of work as compared with pre-war years.' In any case, I presume that you can only give evidence in regard to Madras. Do you know anything about the conditions in Bombay ?
A. No. I cannot say anything of Bombay.

Q. You say, ' Production has increased in spite of, and, indeed, because of the reduction of the hours of work.' What are your grounds for that statement ?
A. That is the evidence of workmen, that larger quantities of cloth are now being turned out. Of course, we have no access to the books of the mills.

Q. It is difficult to accept such a statement unless you are able to produce evidence as to its correctness. You say that there has been an increase of 55 per cent. in wages. Do you call that a slight increase ?
A. As compared with the cost of living, the increase is not very high.

Q. It is not at the moment a question of comparison with the conditions of living, but it is a question of comparison with the pre-war rates ?
A. The workmen still find it very hard to maintain themselves with that increased wage.

Q. You cannot call an increase of 55 per cent. a slight increase ?
A. Taking all circumstances into consideration, such as the cost of living, rent, etc., relatively the increase is not very high.

Q. It is merely a question of comparison with the pre-war rates ?
A. But the pre-war cost of living was very low.

Q. Have you any figures to show by how much the cost of living has gone up in Madras ?
A. I have not got them here. We took an economic census of all the workers as to the amount of rent they were paying, the cost of living and other items, and we found that wages had not after all increased in proportion. The house rent, the cost of education of the children, and the price of food stuffs have all gone up very high since the war.

Q. Have you worked out the figures ?
A. I am not able to give the exact figures.

Q. We want you to give us the results of your census. It is not of much use to us unless you can give us exact figures. You say you have taken a census. If that is so, why are you not able to give us the results of your investigation ?
A. I can supply you the figures only from the Union office. So far as I know from the results of our census, we find that the cost of living in every single item has increased very much. The indebtedness of the worker has not at all decreased. Considering the items on which the increased wage has to be spent, an increase of 55 per cent. is not at all a big rise.

Q. I quite agree that that may be possible. But we want to know the basis upon which you offer an opinion. If you had worked out the exact figures of the rise in the cost of living, it would have been of much use to us, as we could then have compared them with the figures for other places.
A. If you will allow it, we will collect the figures and send you.

Q. Certainly. What real increase has there been in wages in other works ?
A. Very little. About 15 per cent. in the case of lower-paid people. Perhaps 30 per cent. in the case of those employed in more skilled work.

Q. So there is not much attraction for operatives to go to other places of work ?
A. There is not much attraction.

Q. You say, 'Indian labour especially in Madras is not inefficient.' Why 'especially in Madras' ? Have you any means of comparing it with labour anywhere else ?
A. Yes, with labour in the mofussil.

Q. We are not referring to the mofussil. We want a comparison with other mill centres in India. Are you aware how many looms are looked after by a weaver in Bombay ?
A. I do not know.

Q. As a matter of fact, it is two against one in Madras. Do you think that points to the greater efficiency of the Madras labourer ?
A. Here one person attends to six looms.

Q. We are not referring to the automatic looms but to the ordinary looms.
A. I am unable to make a comparison with the conditions in Bombay. I can only do so with the mofussil places in the Presidency.

Q. Are you aware how many automatic looms are looked after by one operative in America ?
A. No, I do not know anything of American conditions.

Q. One operative looks after 24 looms in America.
A. Better living conditions of workmen make for greater efficiency, and so also does the training given to workmen. Very little facilities are given here to the workmen for training themselves and they have practically to learn everything after entering the mill side by side with their work for earning their livelihood.

Q. Is the position here in any way different from elsewhere ? In Lancashire too, does not the operative learn his work gradually ?
A. I do not know about Lancashire. But in Bombay there are one or two institutions where operatives are given some preliminary training. In Madras, there are none.

Q. I presume that you are referring to the institute started by the Social Service League in Bombay.
A. Yes. I have visited it once. I forget its name.

Q. Do you know how many people there are in it ?
A. I cannot say.

Q. There are about 30 people who are helped there out of about 150,000 operatives. Do you consider that a great help ?
A. It only shows that facilities are lacking in India for giving the necessary training required by workmen.

Q. Can you say that Madras is in a much worse position than Bombay ?
A. At least an effort is made there to show that training is necessary.

Q. You say that the 'budli' system must be abolished. How are you going to abolish it?

A. By the mills keeping a reserve in each department of a few expert workers. By now, each mill must be able to estimate what the average absenteeism in a month will be, and on that basis they can keep a reserve of workmen, so that people who go on leave may be replaced immediately from the reserve. What now happens is that the workman who goes on leave is asked to supply a 'budli', and as the circumstances are such that leave is granted only at the eleventh hour, he brings anybody he can get hold of. That is why I say it leads to inefficiency. Then, there are other evils connected with the 'budli' system. As soon as the permanent hand comes back, he has to pay in cash the wages of the 'budli' man. Usually, he will not have any money to pay him, and the mills do not pay him his salary until after the end of the month. So he runs into debt to pay the 'budli' man his wages.

Q. When there is such a small margin between the costs of production and the returns, can you expect any further increase in wages?

A. I cannot say whether the margin is big or small. I think in the interests of labour the margin ought not to be widened at the expense of the workmen. But economics may be made in other departments, if possible. The conditions, as they are, are already telling heavily on the worker.

Q. It is not much use making general statements of that kind, Mr. Madhava Rao, unless you can put forward some concrete suggestions.

A. I quite recognise that. But we can speak only for the workmen.

Q. You object absolutely to any proposals which would have the effect of giving the operatives more spindles or looms to look after?

A. Yes. Because already the complaint from the operatives of the Buckingham and Carnatic Mills is that, owing to the reduction of men, they are feeling the strain of work too much.

Q. What reduction of men has there been?

A. There has been a considerable reduction. For example, where they were employing 1,000 men formerly, they are now employing only 330 men.

Q. The reduction is not in the same class of men?

A. There has been reduction in different departments. But the reduction in the weaving department is very high.

Q. Do you know to what the reduction is due? A man can now look after six automatic looms instead of one as before. I pointed out just now that in America each man is looking after 24 looms.

A. But there are other conditions of work. For instance, the quality of cotton used here is very inferior and it breaks often, and the man has to run up and down to set right the breakages. A slight breakage means a fine for the workman. The general complaint of the workman is that he feels great pain in the heart region after he has come to handle the new machines, and the number of men has been reduced. They say they would rather go back on lower wages to work on the old looms, than on the new machine with less men.

Q. They prefer the old looms to the new ones?

A. Yes, as things are at present. As for working the new looms, they would like to have an extra man.

Q. That would halve their work, and double the labour cost.

A. But it would mean also so much less strain for the workmen. It now costs them their health and life. That is their complaint.

Q. You have to look at it from the point of view of the mills as well. These new looms are very expensive.

A. That is why they have also reduced the number of men.

Q. The purpose for which the automatic looms has been introduced is to economise labour and to increase output.

A. Apparently so. Provided the reduction of men is not so high as it is now, much difficulty will not be felt. Probably the Madras labourer is too weak to stand the strain of the new machines. Anyhow, they complain that they feel greater exhaustion at the end of the day. It may be that the new machines enable saving of labour. Either the Madras climate or the physique of the Madras labourers is responsible for what they feel. Moreover, very few men get higher wages now.

Q. You say that the rates of wages in other industries are higher. What we want really is not illustrations from one isolated case in industries such as carpentry, or bricklaying. We want illustrations of wages from other factory industries, say from any other big industry in Madras.

A. What kind of industry?

Q. Say in a railway workshop.
A. In the railway workshops the wages range from Rs. 2-8-0 to Rs. 5 per day.

Q. The labour in the railway workshops is more highly skilled than in the cotton industry.
A. Yes. You may yourself suggest any other industry.

Q. I cannot think of any big factories in Madras, because there are few large scale industries to choose from. Is it difficult to find any standard of comparison ?' Why not compare Madras with Bombay conditions.
A. We do not know anything about Bombay conditions. That is why we have taken carpentry, bricklaying, etc., for comparison.

Q. You cannot call those factory industries. It is a comparison from a factory industry that we really want.
A. Would the aluminium factory suit the purpose ?

Q. It is a small industry. I do not think there is any industry in Madras which exactly suits our purpose.
A. For instance, in the harbour workshops the wages range from Rs. 1-8-0 to Rs. 3.
Raja Hari Kishan Kaul.—What does the unskilled labourer at the docks get ?
A. Twelve annas is the starting pay at the harbour.
President.—What is the starting pay in the spinning mills ?
A. It ranges from 5 to 7 annas.

Q. Are there not spinners in the Buckingham and Carnatic Mills who get more than Rs. 15 a month ?
A. Yes, there are some.

Q. Do they not all get more than Rs. 15 a month ?
A. Rs. 15 is only an average, and it will sometimes be less. Only maistries will get more than Rs. 15.

Q. You say weavers get 12 annas a day. My information is that the average rate of pay in the Buckingham and Carnatic Mills is Rs. 32 a month.
A. Twelve annas is only the average wage in the weaving department. The head weaver gets Re. 1 a day.

Q. You say average wages. What is the average per month ?
A. It will be about Rs. 20 a month.
Raja Hari Kishan Kaul.—What are the rates of wages of the ordinary weaver at the other mills ? Are they paid by piece work ?
A. Yes. They are paid by piece work.

President.—You say the average wage for weavers is Rs. 20 a month. The information we have received is that the average pay of the weavers is Rs. 32 a month. There is a good deal of difference between that and your statement. Are the operatives you have brought with you weavers ?
A. Not now. Some 3 or 4 years ago there were working as weavers.

Q. If so, do they know anything about the present conditions?
A. They are constantly in touch with the workmen.

Q. You know nothing about it yourself ?
A. I don't.

Q. You are not in a position to say whether their statement is correct or not ?
A. I have no reason to disbelieve their statement. They say that Rs. 32 is a very high figure. Rs. 20 is the average figure. It may be that a few people get Re. 1 per day. Our information is based on the material available for us. I am told that only the man in charge of the automatic looms gets Re. 1, and that his assistants and others get much less.

Q. I would repeat that the information we got yesterday when we visited the mills was different.

Raja Hari Kishan Kaul. —The Assistant is not a weaver ?
A. No.

Q. You put all of them together and strike the average. That is how you calculate your average ?
A. That is what we have done.

President.—Do you include in your 12 annas a day everybody in the weaving department ?
A. Yes. The weavers and his assistants.

Q. That is not the correct way of arriving at the average wage of a weaver.
A. I have said that in the weaving department the average wage is 12 annas a day.

Raja Hari Kishan Kaul.—Including all sorts of people who do less important work.

President.—Are you including everybody in the weaving department ?
A. We have included the spindle supplier, the oil man, the assistant to the weavers. The average for all these people together is 12 annas.

Q. That is hardly the correct way to arrive at the average for a weaver.
A. I think they all occupy important places in the weaving department. The average of these oil men and others comes to Rs. 20 a month.

Q. That is how you have arrived at the average ?
A. Yes. We have said 12 annas is the average per day.

Q. You are not really in a position to say whether what they say is correct ?
A. The answers were prepared by the Executive Committee of the Union. The figures were taken from the workmen, and we have given those figures.

Q. But you are not in a position to check their correctness or to state whether they were prepared on a proper basis or not.
A. I have no ground to disbelieve them.

Q. I am suggesting to you that you should be able to check the figures.
A. Probably the basis on which we go is different from yours.

Q. In a technical matter of this kind, it is a little difficult for you to decide what should be regarded as average wages. Is it not so ?
A. Yes.

Q. That is the point I wanted to get at.

Raja Hari Kishan Kaul.—Do you know what is the daily output on the Northrop looms and on the other looms ?
A. I do not know.

President.—Why did you not bring people who are really working in the mills ?
A. These people know the information all right.

Q. But why do you not get men actually working in the mills to take leave and bring them here ?
A. As a matter of fact, they would not get leave, for a purpose like this.

Q. They would have got the leave. There would have been no difficulty about that. I would have asked the Mills to grant them the leave and I am sure there would have been no difficulty whatever.
A. I come to know of that only now. Normally, it is very difficult to get leave and they would not have got the "gate pass" promptly.

Q. I can assure you that they would have got leave.
A. You assure me of that now ; but I was not sure of it before as I know the conditions. They could not come in time yesterday to instruct me on this memorandum and they could do it only after 8 o'clock in the night.

Q. If you had wanted to get hold of people who are really working there, I could have asked Messrs. Binny & Co. to spare their services.

Raja Hari Kishan Kaul.—Can you tell me what the output is ?
A. If one piece is produced on the ordinary loom, 1¼ pieces are produced on the other loom.

Q. If the ordinary loom produces one piece, the automatic loom produces 1¼. Is that all the difference ?
A. Yes.

Q. In your answer to Question No. 64 you say, they were paid As. 8 for a piece of 40 yards in the old days and they are now paid As. 5 for a piece of 40 yeards on the automatic looms.
A. Yes.

Q. What are they paid now on the ordinary looms ? Are they still paid As. 8 ?
A. Yes, the same amount, As. 8.

Q. You say that they are paid As. 8 on the old loom and As. 5 on the new loom, and the new loom produces 1¼ piece.
A. Yes.

Q. That is, while one weaver is producing one piece on the ordinary loom and getting As. 8 for it, another weaver working on the automatic loom is producing 1¼ piece and getting 5 annas a piece ?
A. Yes.

Q. That means that he is getting about Rs. 2-8-0. Do you call that only a slight difference ?
A. But he cannot work enough to produce so much, because the strain is great. He does not work to such an extent as to get Rs. 2-8-0.

President.—You told us that the production on a Northrop loom is 1¼ pieces. According to your statement, that is what he really does. We were asking you to work out the figures on that basis but now you say he does not turn out 1¼ pieces. Can you tell me how much these people working on the automatic looms produce as compared with the men working on the old looms ? (No reply).

Q. Are you able to tell us what the actual production of these two looms is ?
A. I am not able to say that.

Q. Can the other gentlemen say that.? I want to see what the rate is.
A. (After consulting the operatives present.) There is a cloth by name B-15 standard drill. If 1¼ pieces of it are produced on the old looms, he gets Rs. 1-4-0 as wages.

Q. Then how does he get only As. 8 per piece ?

Mr. Majmudar.—What is the production per loom ? What time does it take to weave one piece ?
A. Three-fourths of a day.

Q. Is that on a plain loom ?
A. Yes.

Q. And in the case of the North rop looms ?
A. More than half a day.

Q. (Addressing the ex-operative Natesa Mudaliar). Have you worked on the North rop loom ?
A. Yes, I have worked on it.

Q. How long does it take to produce a piece on the North rop loom ?
A. Slightly more than half a day.

Q. What are the wages ?
A. Rs. 1-4-0 on the old loom.

Raja Hari Kishan Kaul.—For one piece he gets As. 8. I cannot understand how it comes to Rs. 1-4-0 per day.

Mr. Majmudar.—(To Mr. Madhava Rao.) Will you please translate lines 3 and 4 of your reply to our Question No. 64 to him. Then he will be able to tell us. (No reply).

Q. You say in your reply to Question 67 (*d*), "Lancashire looms 100, weavers 100, weft server 1." Can you give us the wages of those people ?
A. The average wage is As. 13 per day.

Q. On the plain loom, is it not ?
A. Yes. It comes to more than Rs. 1-8-0 per day on the automatic looms.

Q. You say "magazine fillers 8." What do they get ?
A. Rs. 22 a month on an average.

Q. Weavers' helpers ?
A. The average is the same, *i.e.*, Rs. 22

Q. Is it Rs. 22-8-0 or Rs. 22.
A. Rs. 22 only.

Q. Then oilers ?
A. The same.

Q. Piece carrier ?
A. Rs. 20.

Q. Empty Bobbin carrier ?
A. Rs. 20.

Q. Then the clerk ?
A. Rs. 25.

Q. Why do you put a clerk in ? How does he come in here ?
A. He is not a clerk exactly. He is a man who must count the picks, etc.

Q. In the case of the plain loom, they must have got a clerk to weigh the cloth ?
A. Yes, but they do not have so many clerks for plain looms.

Q. How many clerks are there in the shed for weighing the weavers' production ?
A. About 12 clerks for 1250 looms.

Q. For plain looms ?
A. Both for plain and automatic looms. One clerk for 200 looms in the case of plain looms.

Q. How much does the clerk get ?
A. Rs. 30.

Raja Hari Kishan Kaul.—You can perhaps tell us how it is worked out, how much the ordinary loom turns out per day and how much it will come to at 8 as. a piece. You say that one piece is finished in three-fourths of a day. Then $1\frac{1}{4}$ of As. 8 will come to about Ans. $10\frac{1}{2}$ a day ; so that the weaver working on an ordinary loom would get Rs. 18 or Rs. 20 per month ?
A. They are not really able to produce $1\frac{1}{4}$ pieces every day.

Q Then what do they really produce on the ordinary loom ? You do not seem to have any idea as to the production on the ordinary loom.
A. They (the operatives) confuse the whole thing at present. If you will give me time I will get it out of them.
Q. (After a pause) I have waited. We had better leave it over. Coming now to the next paragraph, in reply to Question No. 65, you say about the bonus that it is not equal to even one month's wages. It is 10 per cent. you say and he gets Rs. 3 a month which amounts to Rs. 36 for a year.
A. But he is paid by the half year by calculation.

Q. Yes, even then it is more than a month's wages at the end of the year. So you are not right in saying that it is not equal to one month's wages. Government servants get one month's privilege leave at the end of the year, and these people get one month's wages.
A. Yes, very nearly, but it is not an exact figure.

Q. On Rs. 30 a month he has earned at the end of the year Rs 3×12 or Rs. 36 as bonus. It is more than one month's privilege leave in the case of a Government servant.

Q. In the next paragraph in reply to Question No. 66, you say "production has increased in spite of and indeed because of the reduction of the hours of work." I want to know if production has increased on account of these automatic looms or if it has increased on the old looms in spite of the reduction in the hours of work.
A. On account of the automatic looms.

Q. It has not increased on the ordinary looms ?
A. No, not on the ordinary looms.

Q. Has it decreased ?
A. Yes.

Q. So the fact is that on the ordinary loom the production has decreased ?
A. Yes.

Q. You say wages have increased by 55 per cent. Since when ? You are comparing two figures. Which figures are you comparing ?
A. Wages in 1919.

Q. Compared with ?
A. Compared with pre-war wages.

Q. In answer to Question No. 69, you say : "average spinner's wage for 20s—1 lb., 2 as. 7 ps., weaver's wage for 20s.—1 lb., 4 as. 7 ps." This seems to be a high figure. Is it correct ?

Mr. Majmudar.—How do you work it out ? Are the spinners paid by piece work or are they given fixed wages ?
A. They got these figures from the clerks.

Q. That shows that you know nothing of the figures that are mentioned here.

Raja Hari Kishan Kaul.—They cannot vouch for their accuracy then ?

President.—Mr. Madhava Rao those figures are absoutely incorrect.
A. Is it too much or too litte ?

President.—Too much. We have been enquiring into this for some weeks past and we know what the figures are roughly, even here. We know that these figures are absolutely incorrect. Do you consider that it is desirable to put a case before a Board like this based upon information which you have not checked yourself ?

A. We are not in a position to check all these figures, Sir.

Q. Then you should not make these statements. If you are not in a position to check them, you should not bring them before the Board.

A. The clerks supplied these figures to us.

Q. But you are responsible for all these figures. You know the intelligence of the people you are dealing with and you should take steps to check the figures and to find out something about the industry. You should obtain advice as to whether the information they give you can be relied upon or not.

A. It is very difficult to get these figures exactly in Madras. We trust in the *bona-fides* of the workers who supply them.

Mr. Majmudar.—Can you not check them on the pay day ?

A. The clerks only tell the men to receive what they have every month. Could you tell us how we can get the information ?

Raja Hari Kishan Kaul.—If you ask any man he will tell you.

A. But we do not know how much quantity of cotton he had.

Q. Surely he will tell you how many pounds he had spun.

Mr. Majmudar.—Where does your companion work ?

A. He was a weaver.

Q. Does he know anything about spinning ?

A. From his friends working in that department.

Raja Hari Kishan Kaul.—Similarly your figure about weavers' wages is also incorrect. You say a weaver gets As. 4-7ps. for one lb.

A. They have based these figures on the information of an experienced and longstanding worker in the department.

Q. But don't you see what it means ? It seems that for one piece of 40 yards a man gets As. 8 and that As. 4-7ps. is the wages for weaving one lb. Do you mean to say that the weight of 40 yards will be less than 2 lbs. ?

A. My friend here says it includes all the operations together. As I told you in the beginning, they have taken the weaving department as a whole. If you will tell us what exactly you want, we can send our reply on to you in two or three days.

Q. Do you know what the percentage of weaving charges is to all charges in the department ?

A I do not know.

Q. You say " It is also a fact that exhaustion due to over work is a cause of absenteeism." Do you mean to say that the people get exhausted and they run away ?

A. When they get a Sunday they go out generally to a village.

Q. That has nothing to do with exhaustion. They can as well take rest here.

A. That being the only holiday in a week, they go out to a village and on account of their exhaustion they are unable to return in time and therefore they are late in coming on Monday.

Q. If exhaustion alone is the cause, they will not feel inclined to go out at all. They will be more inclined to take rest at home.

A. They go out to their relations' houses perhaps.

Q. That is quite a different thing. If they desire to go and see their relations, how does exhaustion come in ? Perhaps they expect something from their relations ?

A. The relations do not give them anything.

Q. But if they are really exhausted, they cannot walk 10 or 20 miles.

A. They come back very late on Monday. And the feeling of exhaustion increases during the brief period of relaxation.

Q. Surely there is a meaning to the word ' exhaustion.'

A. Anyhow, they do not gain by being absent. They only stand to lose.

Q. Then you say " in the Buckingham and Carnatic Mills attendance bonuses are given ; but not in the Choolai mills. If an attendance bonus is given every month, instead of once in six months, attendance will improve." Would not the contrary be the case ? The man will be inclined to go whenever he pleases ; but at present unless the man works continuously for six months, he will not get the bonus.

A. For people of small wages, quick returns are a better inducement.

Q. But the man will not get his bonus unless he is there at least for six months and if he is not sent away during that period. Otherwise he would be inclined to go away whenever he liked.

A. Yes, I see the point there.

Q. You say in reply to Question No. 72 that " the 'budli' system may be estimated to affect efficiency by 30 per cent."

A. That is only a rough figure ; but there is inefficiency which they themselves admit.

Q. Then it does not signify anything ?

A. No, except the fact of inefficiency.

Q. Why do you say it must be abolished ?

A. Because they think it keeps them under the obligation of the mistries and others.

Q. Then is it intended that there should be no continuous employment ?

A. No ; only because under the present conditions of employment it is demoralising.

Q. Because they will have to put up with all sorts of hardships ?

A. Yes, otherwise they would go away. It means that their free will is curbed.

President.—The whole system of graded pay involves a long service bonus.

A. But the period ? That is an extremely awkward situation for them. They have to put up with all kinds of ill-treatment for six months.

Q. That is not the same thing as a long service bonus. A long service bonus is given for many years service.

A. But here we talk only of six months.

Q. They have got the gratuity system in the Buckingham and Carnatic Mills.

A. Yes. But the minimum period for a gratuity is ten years. Very few people actually get it. It is left to the sweet will and pleasure of the management. If in the opinion of the manager a workman is found to be no good, his previous service is entirely cancelled.

Raja Hari Kishan Kaul.—You have not got this gratuity system in any other mills or other private firms.

A. Even here, there is nothing like a rule that gratuity should be given. It is entirely left to the discretion of the management.

Q. But everywhere a gratuity depends on good service.

A. Here " good service " depends upon the sweet will or whim of the manager. It is such a very uncertain item in a workman's life so that it is practically of no account. For example, in 1921, there was a strike and a lock-out, and when the men were taken in, they were taken back on condition that their previous service was all cancelled.

Q. Quite right. Because they struck. That was misconduct.

A. Yes, from the employers' point of view. Here is one man with a service of 9 years and 10 months and he has suffered.

Q. Are you sure that you are voicing the feelings of all the workers ? You say that long service is of no account.

A. Yes. The reason is that very few of them get the benefit of it, in practice.

Q. Have you any idea of how many people got the benefit during the last three or four years ?

A. None have got it. Because all of them lost owing to the strike in 1921.

Q. Talking about chawls, you want that " the provision of houses must be under the auspices of the Government or the public authorities." Are not the chawls of the Buckingham and Carnatic Mills good ?

A. They are very good. But they are too few and the attendant conditions are also very hard.

Q. The rent is also very low.

A. Yes.

Q. Then, where is the difficulty ?

A. The difficulty they feel is that they will be at the mercy of the underlings in the mills.

Q. Why at their mercy ?

A. On the slightest report against them, they are " given the gate pass," and they are asked to quit the chawl in 24 hours.

Q. Is it more so in the case of those occupying the chawls, or is it the same for all ?

A. If they occupy the chawls, the employers get a greater hold upon them.

President.—What is your reason for saying so ?
A. Because it places the workers under an obligation to the employers.

Q. In what way ?
A. In this way that they have to put up with any ill-treatment by the underlings in the mills. Otherwise, they might be asked to quit the house at any time, a good house which they got for a comparatively cheap rent. Naturally, therefore, it entails an obligation on the workers to suffer patiently.

Raja Hari Kishan Kaul.—They will probably have to quit the place altogether when they quit the service at the mills.
A. Though they may not like certain conditions of service, a good house is an inducement to them and acts as a hold on them. Thus they are placed in a delicate position oftentimes.

Q. If they do not like the conditions, they can resign.
A. But that is an insidious way of keeping them tied to their work.

Q. I do not quite follow what you mean. As long as the conditions of service are agreeable, the operative lives in the chawl, and as soon as the conditions become disagreeable, he quits the service and the chawl.
A. It is not merely the service, but the conditions of service with which he has to put up with on account of the inducement of living in a good house. Living in the mill chawls adds indirectly to the burden of the workman's burden of disabilities.

Q. Why should the labourer living in the chawls be placed in a more delicate position than others, in regard to the conditions of service ?
A. Because he is obliged to the employer and he becomes subject to greater control.

Q. He is comfortable in a nice house. If a nice house is an inducement, he would probably try to behave in such a manner as to suit the conditions of service.
A. Yes, that is it. But their fear is that then they will have to submit themselves to certain conditions which in the long run would be detrimental to their general interests.

President.—I cannot see to what conditions you have to adapt yourself in regard to a house which you have not got to adapt yourself to the regard to your employment generally.
A. Unless he puts up with the ill-treatment of the mistries and others, he may be asked to quit the service suddenly.

Raja Hari Kishan Kaul.—That will be the case whether he was living in the chawl or not.

A. I say that only if he lives in the chawl he has to put up with it. Otherwise, he is not likely to be subject to so much ill-treatment. The sense of obligation and insecurity is doubted by living in a house provided by the mill authorities.

Q. So much the better for him. He will continue in service.
A. And thus be under the power of the employer. It places him at a disadvantage, and in the long run it will affect his interests. For instance, he will be prevented from joining the labour union. Now he is induced to join the union founded by the employers.

President.—How many members are there in that union ?
A. About 300.

Raja Hari Kishan Kaul.—What is that union ?
A. At the instance of the employers, a union called the Buckingham and Carnatic Mills Employees' Union has been started.

Q. Do you mean to say that a man living in the mill chawl is not allowed to join your union ?
A. They have not said it yet, because there are very few houses for all the men. However, it is one of our apprehensions. It is felt in various other ways. For example, in the matter of granting leave, in the system of fining and other things, the workmen have very good reason to feel that a distinction is being made between the members of the Employees' Union and those of the Madras Labour Union.

Q. That is a different matter. My point is this : why should a man be in a worse position when he is allowed to live in a nice chawl than one who gets on otherwise ?
A. A workman would prefer to live as an ordinary citizen under the control of the Corporation rather than be under the control of his employer by living in his chawl.

Q. Under existing conditions when there are no suitable houses available, the worker should prefer to go and live in those chawls of the Buckingham and Carnatic Mills rather

than live in unsuitable houses somewhere in the city. Do they prefer any other kind of hut to these chawls ?

A. It all depends on the conditions of his living.

Q. Perhaps two or three hire a house and they like to remain together. What is the fact ? Do they prefer the chawl provided by the mills for its own sake ?

A. There are other circumstances which guide his preference.

Q. Do they prefer under present conditions to go to the mill chawls ?

A. If they are not to be under other obligations to the employer, they would like to go to the chawls.

Q. I want to know what happens now. Do people prefer to go to these chawls or not ?

A. They say that the workmen are labouring under a kind of fear to go and live in those chawls, because their tenure of service is so uncertain.

Q. My point is, whether they prefer to go and live in those chawls.

A. It cannot be answered as an absolute question.

Q. I am asking a question of fact. Do they prefer it ?

A. As a matter of fact, they do not prefer it in a large number of cases.

Q. If so, the chawls should be empty. Are they empty or are they full ?

A. They are full, for the reason that they are cheap and they are very few.

Q. It is on account of their cheapness that the workmen prefer to go there.

A. They are given to people getting between Rs. 30 and Rs. 40.

Q. Do they not give them to men drawing below Rs. 30 ? Well, if a man leaves a chawl are there not a dozen applicants waiting to get it ?

A. These houses are not given on application. They are allotted by the manager.

Q. There must be some eligible men available to whom they are allotted.

A. Whatever the eligibility on the part of the workmen may be, they do not apply for the house.

Q. Are there cases where a man has been offered a house but does not take it ?

A. I am told in the beginning many people declined to go.

Q. Now ?

A. Even now, many people decline to go.

Q. Is it because they have got suitable houses somewhere else. Of course a man might have taken a house elsewhere for a month, and he is not able to move from it.

A. The fear that they will thus be under obligation to the employer keeps them away.

Q. As regards the cost of living do you think your Union will be able to persuade the workers to accept lower wages if the cost of living was reduced considerably ?

A. Certainly. They are very reasonable, and they would accept lower wages under those conditions.

Q. You say that the workers would be prepared to accept lower wages.

A. It is such a commonsense and natural point of view to take.

Q. Will they act on the advice which the union may give them in such matters ?

A. Yes.

Q. A Union of that type will be very useful indeed.

A. Yes.

Mr. Majmudar.—In reply to Question 64, you compare the pre-war rate and the present rate of wages for one piece and say that it was 8 annas before the war and now it is 5 annas for the same out-turn.

A. Frankly speaking, we are confused over the whole thing. We will furnish you whatever information you want later on.

President.—We should be glad to have a correct answer to the question.

A. If you will give us some time, we will supply it.

Q Do it as early as you can.

A. Yes.

Mr. Majmudar.—You say that people working on the Northrop looms are complaining of exhaustion. According to your statement, for 100 looms, there are 17 weavers 8 magazine fillers, 4 weavers' helpers, 4 oilers and 3 others the total being 36 operatives. So the weaver as such has not much to do ?

A. He has to look to the breakages. They tell me that perhaps on account of the nferior quality of cotton used in Madras the breakage is very much.

Q. Has not the weaver to attend only to the breakage of the warp ?
A. It is a tedious thing. Because the length and breadth of the new loom is too much for them. The man has to be running constantly up and down. They say the distance covered will be about 25 miles a day.

Q. Do you refer to the total space covered by the six North rop looms that one weaver has to mind ?
A. Yes. That is what they say.

President.—You have not visited the Buckingham and Carnatic Mills yourself ?
A. No, not recently.

Q. Have you visited any mills elsewhere ?
A. I have visited one in Bombay, but only as a visitor. But I have no personal knowledge of the conditions in the mill.

Mr. Majmudar.—You say that absenteeism is due to exhaustion. Is it due to working the North rop looms ?
A. Yes. Also to the general conditions and the physique of the people.

Q. Is absenteeism greater in either Buckingham or Carnatic than in Choolai ?
A. It is the same in all the three mills.

President.—Are there any automatic looms in the Choolai mills ?
A. No.

Mr. Majmudar.—If the exhaustion on the automatic looms is more, how is it that absenteeism in the Buckingham and Carnatic Mills is not higher than in the Choolai Mills ?
A. The other conditions are worse in the Choolai Mills, *e.g.*, arrangements for water and for taking food, the wages, etc.

Q. Would that lead to any appreciable increase in absenteeism.
A. Naturally.

Q. Why do you say that people are exhausted more on the automatic looms ?
A. Not on account of automatic looms only. There are absentees not only from the North rop loom weavers but from the other looms also.

Q. In reply to Question 77 you say that "after 10 years' work in the spinning department in mills he earns only about 8 annas." What does that mean ? Does it mean that a man is paid according to the length of service in the spinning department ?
A. When a man joins, he is paid lower wages in the beginning.

Q. On what scale is he employed first of all ?
A. Half-timers get a start at Rs. 7-8-0 as spinners.

Q. To what pay do they rise ?
A. Rs. 15 as full timers.

Q. Is it for the same work or for different kind of work ?
A. More work is given to them as they advance in service.

Q. Does he change from Department to Department and get a higher salary?
A. In the same department he is given more spindles to work.

Q. How many spindles does each man attend to ?
A. They are not able to tell me.

Q. It is very difficult to get correct information, and I think it better not to ask further questions.
A. On what points do you want us to send correct information ?

President.—We want correct information on points on which you are not at present in a position to give us any information, say with regard to wages, production and absenteeism.
A. As regards absenteeism, it will not be possible for us to give more exact information. It must be possible for the management of the mills to supply it.

Q. We also want your figures about the increased cost of living as compared with increased wages.
A. Yes.

Q. I would venture to suggest to your Union that you would do well to go carefully into details of matters of this kind before you come before a Board of this character and put forward a representation.

A. The Union suffers from various disabilities in this connection. However, they want to place before you their case. It might be that they are not able just now to furnish you adequate and exact information on all matters.

Q. If you come forward as their representative, you, at any rate, have sufficient education and intelligence, if I may say so, to keep them on the right lines in matters of this kind.

A. Wherever possible, we shall supply exact information. It may be that we shall not be able to supply you certain things. For example we do not know anything of the conditions in Bombay, so that we cannot make any comparison with them.

Q. You admit that your figures in regard to wages are not correct. That is at any rate a point on which you might possibly get correct information.

A. The information about wages is correct.

Q. The figures of rate of wages of weavers, and the rate per pound of cloth are not correct, and you have to explain your average rate of 12 annas a day.

A. We will collect more information and send it you.

Mr. Majmudar.—Then as regards your statement that the ten years' service men in the spinning department get 8 annas a day, we should like to know on what salary they start and what increase they get according to the length of service. In regard to Question 78, you say that wages in the Buckingham and Carnatic Mills have increased by 55 per cent. and that the cost of living has increased proportionately. Can you give the increase in cost of living in percentage as is given for Bombay ?

A. No, we are not able to get the figures.

Q. Are you sure about the wages ?

A. They got an increase of 30 per cent. in wages and of 25 per cent. in allowances ; altogether it makes 55 per cent. increase.

Q. Will you get us the detail of wages paid at the Choolai Mills ?

A. We shall send you the figures in a few days. May I request you to go over to the Labour Union and ask for any information ? We can call a meeting at any time, in the evenings. We would be glad to have a visit from you. The workmen will be able to give you detailed information in regard to the chawls and other points.

President.—I do not think it is necessary. Our time here is very limited. Why did you not get the actual workers from the mills ?

A. Because it is not easy for them to get leave and then is the fear of the gate pass for appearing before a Board like this to ventilate their grievances.

Q. I do not think so. If you had difficulties, you could have applied to us.

A. We did not know it before. You may pay us a visit and get information about the chawls and other things.

Q Our time is so full that I am afraid it will not be possible for us to make such a visit. I think you have given sufficiently full information about chawls.

Witness No. 55

Mr. S. H. JHABVALA, HONORARY GENERAL SECRETARY OF THE CENTRAL LABOUR BOARD, BOMBAY

Written Statement dated August 1926

The following brief statement is submitted to the Textile Enquiry Committee on the question of the Bombay textile industry on behalf of the Central Labour Board which is an organization representative of all sections of Labour in Bombay. The opinions expressed are from the Labour point of view, as in the prosperityand success of the industry Labour plays a very important part though it is reckoned to be a negligible factor by the employers and owners of mills as can be seen from their consistent attitude towards Labour which is totally forgotten in their annual reports and balance sheets. These are sad records of losses which it is desired to recoup or of gains recorded and evilly distributed. One of the ironies of industrial administration is the managements' acceptance of the theory that the worker is a tool in the hands of the masters to be plied at their will just as there are other factory implements that are wielded at their own choice and pleasure. The textile factory is not conducted with a view to co-operation between the worker and the master with an honest sense of mutual co-operation or with zealous good-feeling between them but, having become the individual possession of but one master or a group of masters called agents it has dwindled to an institution to turn out so much gold for the powers that be. This gold is again not distributed among the producers but among the employing class who having set themselves up as an institution appropriate it for such uses as neither promote the industrial interests of the country itself as such nor advance the country's benefits by expelling foreigners from the country's markets. The produce of Labour and Capital is not proportionately distributed between them but being largely appropriated by the agents it indirectly goes to the foreigners who like the enemies of the country have kept the industry under its present evil conditions.

In the first place a factory is owned by a class of individuals who venture their capital and invite others to do the same and is then set up with a management dominated by their own interests in which the actual producers, namely, the range of individuals from the clerk downwards to the meanest "begari" are not thought of as joint participators. The noteworthy factabout thisi is that they are immediately concerned as soon as they fall on the evil days of adverty and the wages of the labourers though forming but a tenth of the whole expenditure are first cut to make up the loss as happened in the attempt made last year by the millowners to wrench away 11½ per cent. of the men's rightfully earned gainings. Ehen the shareholders who are mostly from the middle class men of small ownings are paid their allowance however meagre they may be for it is calculated that their investiments must produce some fruitful results but the investment made by the poor workers of their own blood and bones is not sympathetically reckoned. Though a calculation can be made of the owners' sympathy for their workmen in as much as they have given an increment of wages during times of scarcity and increase in food-prices, yet that sympathy makes a poor show in comparison to the conditions of hardship created by the smallness of the increment given, allowing the men no margin or possibility of saving some part of their income against the rainy days. Mr. J. A. Wadia, an authority on the textile industry in Bombay made a plain admission in his annual review appearing in a local journal that Labour got very little compensation for the higher cost of living between 1904 and 1914. During the war when the owners were making very large profits the increase of wages of labourers was never considered except when the men resorted to the final measure of pressure, *viz.*, a strike. In the year 1918 the owners made a profit of 497 lakhs, in 1919 1,306 lakhs, in 1920 1,653 lakhs, in 1921 1,539 lakhs, and in 1922 727 lakhs, yet there were no proportionate increment given to the men in view of the terrible increase in the cost of living. Quoting the instance of 1922 the wages and office establishment went up to only 7·82 crores while in 1920 they went up to 6·72 crores. Even the pleasant suggestion as to a bonus is a myth for even in a year of great profit like 1920 the amount paid by way of bonus came to only 1/27 of the net earnings which also includes the bonus given to the subordinate superior staff who got something like double or treble their monthly salaries.

Recently a Government regulation was passed called the Workmen's Compensation Act which was to enable the workmen to receive compensation for accidents while on duty of which so much is made by the owners but when it is noticed that a certain mill purchased cotton worth about 15 lakhs, stores about 2½ lakhs and paid a lakh on interest and about Rs. 22,000 on fire insurance and spent only Rs. 1,300 on workmen's compensations, it can be very easily noticed how defective the vaunted boon is. Even Government cannot

boast of its protection to the poor through its legislatures which are solely under the control of capitalists and who as such debar the voices of the poor from them. Though Government has nominated representatives on the Councils yet they have not conceded the right of proper election thus leaving Labour totally in the hands of the bureaucracy which is dominated by capitalistic interests.

It will be seen that Labour is a factor which is most condemned at the hands of both Government and the millowners; and the present trade depression is due to the helplessness of the millowners in their connection with Government who cannot regulate the tariff to suit their interests and secondly to the inefficiency of their internal management in which no regular system has been devised but which is full of corruption, backstairs influence and gross irregularities. These latter have remained uninvestigated down to the present day. The whole management has become so top heavy that it has become impossible to get relief from the present tension which is only due to the millowners blindly launching into a mad campaign of grabbing money in all sorts of ways and Governments remaining conveniently neutral as long as their coffers are filled by the manipulation of crores by way of excise duty and export duty. This enabled the cotton markets and other manufacturing institutions in England to do the same. A foreign Government like the British are out for commercial governance of the country even if the poor employee be reduced to mere skin and bones. When they found that the cup was full to the brim they transferred the privilege of further accumulating gains from India's poor and India's rich to Japan who has done her worst in the Indian markets during the last few years and has been able to build up in her own country such flourishing cotton centres as are to be found in some of the more advanced places of England. Japan with all her submission to the Convention of Washington flagrantly refused to carry out its ratification. This action was connived at by Britain and the Indian Government for reasons best made known to Sir D. E. Wacha in the Council of State some two years ago. This disastrous connivance at the cost of India's best industrial interests introduced a keen Japanese competition from which India has been really suffering. Even the millowners in their mad plunge of getting rich quick during the boom days neglected the rights of their own workers and did not press Government with all the power they could exert to compel Japan to stick to the truth and thus they sacrificed the country's industrial interests at the altar of this rising land of the East.

The industry has also suffered at the hands of the owners who have not imitated Japan in the matter of purchases of cotton by which I mean that the local owner has not approached the cultivator straight as the Japanese owner does by eliminating all the middlemen who are a regular bane to the textile factory. One will find an army of middlemen who keep the agriculturist ignorant of the state of prosperity. India is a broker-ridden country and the middleman manifests his power best in cotton purchases from which he makes lakhs which ought to go to the betterment of the lot of the agriculturists. Thus the cotton of Khandesh for manufacturing cloth in Bombay becomes so dear that the price of production naturally becomes prohibitive to the ordinary consumer. Even in this Government has neither made any reservation for the protection of the cultivator nor have the millowners removed the obstructions of the middlemen in the trade.

Even in internal management there are openings for the middleman who keeps the proprietor or the agent glued to his chair and provides him with all the money he wants while he can conveniently pocket decent sums for his own gratification.

The office and factory managements are again loaded with their own tyranny of irregularities such as exaction of large sums of money from the poor employees by way of grafts paid on employment, threat of retrenchment unless the jobbers' or Naikanies' desire for money is satisfied and employment of an army of friends, relatives, etc., good, bad or indifferent at the cost of efficiency. These have struck a violent blow at the root of the industry. How could a rising industry only a few years old in a flourishing harbour like Bombay with all natural industrial facilities given to it so soon seek help from Government unless there were certain flagrant misuses of the funds acquired from the investing public made by unauthorised agents of the companies who were according to company regulations given all facilities to deal with public monies as it suited them under the pretence of advancing the industry of the country?

I can see as everybody else does that there is depression in the textile industry with a corresponding depression in every other trade and if Government were desirous of assisting in the solution of the crisis it would not be only adopting theoretical or academical methods but would be taking effective practical steps and for that I suggest a complete programme of Swadeshi enterprise to be propagated. It should be laid down that all Swadeshi manufactures should be supported both by the State and by the people. If for such propagation it is deemed necessary to impose prohibitive duties it is up to the Committee to suggest means and ways by which such duties may be levied in order to take money

from the pockets of the rich without interfering with the humble livelihood of the poor. Government should themselves courageously support the exclusion of all foreign made articles and should undertake the task of driving out all foreign articles from the local markets. When consumption increased it would be possible to advance the interests of Swadeshism.

But while pleading for such protective measures to the industry I beg to suggest that such protection should be conditional only on the owners carrying out all their moral bindings towards the men which should now be enforced constitutionally by the State through the Legislatures. The workers must be recognized to be a share of the profit in the industrial concern and not as so many servile tools in the hands of their master. The agency system therefore which has given arbitrary powers to the few leaving out even the middle class who form the main bulk of the shareholders will have to go or they will have to mend their ways so that the factory is run on lines of cordial relationship and mutual good faith.

Each mill should have its own employees' recognised Unions whose representatives will form independent working committees over which there will be a supreme council of management which will work in conjunction with a representative institution called the Shareholders' Association. For after all it is the shareholders who are the real owners of the factories and their voice, at present submerged due to the agency system, must be effectively heard in the management of the concern.

The Union of the men should be permitted to help also in the recruitment of the employees. The present agency system lies totally in the hands of undesirable resources such as Jobbers and Naikanies whose exhorbitant " dasturi system " is a most injudicious tyranny allowed to be practiced under the very nose of the management.

Each worker should be the servant of the factory but not the acknowledged slave of his immediate superior who makes or mars his destiny as at present. All the injustices that men suffer as regards their leave, payment, increment, etc., are principally due to the present system which I call a money-grabbing institution.

The joint councils of the employers and the employees in all the mills should lay down a certain definite system of time-scale. Men will thus be induced to stick to their jobs and absenteeism, temporariness and the seasonal factor of labour will be brought to a speedy end. Every worker should be made to feel that he is to be a permanent man in the work-shop. The scale should be established and graded promotions should be given regardless of the condition of the factories. Workers wages equalization funds should be started and every year some part of the profits should be carried to this fund as they are carried to the reserve funds. That will avoid the necessity of bonuses for which I don't think there is any necessity if a time-scale is brought into force.

I also beg to suggest that each factory should in conjunction with its recognised labour organization devise a system of Provident Fund to which the employees also must be compelled to pay a part and to which the employers must pay according to established rules.

Another gift should be a system of gratuity to be regulated according to the length of service and the kind of service. But a special class of rules needs to be devised unlike what they have done on the railways and other concerns where the gratuity system is prevalent.

Casual leave, privilege leave and sickness leave which are at present sources of grave complaints leading to real discontent must be granted to the men considering them as people on fixed monthly salaries. All cases of differences must be decided by the joint industrial councils of the employers and the employees in every factory. At present dismissals and discharges are left to the sweet will of the petty officials. I protest against these petty officials wielding such powers. I would entrust these questions also to the above councils.

Other questions such as housing, social service, cheap grain shops, free clothing and such other amenities and comforts of the worker must be also left to the consideration of the above councils. In fact the whole factory should be a peaceful joint family of the employers and the employees with equal rights and equal privileges and profits should be shared according to merits.

The owners must constitutionally be asked to submit to the recognition of the principle above laid down before any protection is granted or else such protection is likely to be misused both against the interests of the poor and the country in general.

Witness No. 55

Mr. S. H. JHABVALA

Oral Evidence recorded at Bombay on 28th August 1926

President.—You are the Honorary General Secretary of the Central Labour Board ?

A. Yes.

Q. I understand that it consists of five organisations—the G.I.P. Railway Workmen's Association, the B. B. & C. I. Railway Employees' Union, the Port Trust Workshop Union, the Presidency Postmen's Union and the Bombay Presidency Telegraph Union.

A. Since then three more have been organised and they too have been affiliated to the Central Labour Board.

Q. Which three are they ?

A. Government Peons Union, Bombay Port Trust Railway Union and Bombay Port Trust Staff Union.

Q. Is the Textile Labour Union affiliated to the Central Labour Board ?

A. No. It is a part of the Bombay Provincial Trade Union Congress Committee. It is also a representative labour organisation.

Q. You are not speaking here on behalf of the Textile Labour Union ? I understand they are coming separately.

A. They are coming separately, but I had a hand in the preparation of the statement that has been submitted.

Q. Are you coming to represent them as well ?

A. I shall not come personally but the other gentlemen will come.

Q. You are not here to-day as an official representing any of the textile labour organisations in Bombay ?

A. I am connected with the Textile Labour Union as one of its Vice-Presidents.

Q. You come here purely in your individual capacity ?

A. Yes.

Q. Or rather as Secretary of the Central Labour Board which is interested in all labour questions ?

A. Yes.

Q. Have you been deputed by the Central Labour Board to come here ?

A. Yes.

Q. What is your experience of textile labour ?

A. Since the organisation of the Union, for the last seven years we have been making efforts to organise the textile labour in Bombay and it was only recently that we have been able to do some kind of effective work in that direction.

Q. What is the membership of the Textile Labour Union at present ?

A. At present it is about 10,000.

Q. Eight thousand nine hundred and forty ?

A. That is according to June figures. Since then July and August have passed-by and we have been able to claim more.

Q. Ten thousand out of a total of 150,000 ?

A. Yes.

Q. You mention that one large mill spent only Rs. 1,300 on Workmen's Compensation.

A. Yes.

Q. Do you consider it was the fault of the mill for not having more accidents ?

A. I simply wanted to bring it out to show the gross disparity that exists between the amount spent on other items and the amount spent in this direction.

Q. Yes, but this legislation is intended to remove one definite grievance and the fact that this mill spent only Rs. 1,300 on Workmen's Compensation seems to show that it must have been very efficiently managed in regard to accidents, and that accidents were few. And therefore both the mill and labourers ought to be congratulated on the smallness of the amount spent on compensation.

A. It does not necessarily convey the idea that accidents were few, but the amount given was small.

Q. It does not convey that to me. It conveys to me the idea that they had remarkably few accidents. Can you give the particulars of accidents for which this compensation was paid ?

A. I have not got them here but I should be glad to do that.

Q. That mill may be well managed, and also may have been lucky.

A. My object as I told you is to bring out the point that the Workmen's Compensation Act has not given us a sufficient amount where our flesh and bones are actually invested.

Q. Yes, but the point might be that the risk of accidents in mills is not great. You cannot judge from the experience of a particular mill in any case. The only way in which you can approach that aspect of the question seems to be to take the scale of benefit and say whether you consider this sufficient or not.

A. In the working of the Act the workers cannot express their voice satisfactorily well. And on account of this also we have to suffer always.

Q. I do not understand.

A. The millowners have themselves started certain middlemen or brokers between the sufferers and themselves, on account of which most of the cases are hushed up and the men being illiterate, not knowing it, naturally do not get their due reward.

Q. But there is a special officer for the administration of this Act ?

A. Yes, but before the men who suffer the accidents go right up to the special officer there are certain undue influences brought about, on account of which the men do not go so far as that.

Q. That is the man's look out. To the best of my recollection, in order to get any compensation he has to go to the Commissioner for Workmen's Compensation.

A. Yes, it is so, but before he goes up there the matter is terminated. That is what wanted to convey.

Q. That is the duty of the Commissioner. I have myself been Commissioner for the administration of this Act and I regarded it as an important duty to examine every agreement made between a factory and a workman in a case of this kind and see whether it was fair.

A. That can happen only when the Commissioner goes about, and here the man has to go to the Commissioner in order to inform him that there has been a certain accident.

Q. What you mean is that accidents often happen which are not reported to the Commissioner ?

A. That is my personal belief, Sir; or through undesirable influences the matter is not allowed to go up and the man being illiterate and not knowing what proceedings to take stoops to accept any kind of reward that might be given.

Q. In a further paragraph of your evidence, you talk about the inefficiency of the internal management of the mills—back-stairs influence, gross irregularities, etc. These are very sweeping charges. I do not know whether you are prepared to bring in definite evidence in support of them.

A. In the matter of definite evidence, in such cases it is very difficult to prove. But we have got certain proofs to show in certain cases there are these back-stairs influnces, this undesirable corruption, etc. There is considerable victimisation and if the men are brought either before a court of law or before the agents then the victimisation begins. There is unemployment and they do not want to lose their jobs. That is the reason why the majority of cases are hushed up, and the lower paid officials swallow up a lot of money. I know a couple of jobbers who own houses in the town of Bombay. During the boom it may be they acquired the money purely from these low ways—corruption. I say that it is rather hard to prove these things in a court of law only on account of the fact that agents are not prepared to give any kind of reasonable protection.

Q. I quite understand your point of view. But you have to look at the matter from another point of view also—our point of view. My point is this. It is not possible for us to act in any way on statements of this kind unless they can be proved.

A. If you come to the conclusion that this is the extent of bribery and corruption.

Q. How can we come to that conclusion ?

A. In case we submit to you proofs to your satisfaction you may be led to the conclusion that there is that system of corruption existing there and what I want to bring to your notice is that this system is there. Ask any mill jobber, any subordinate official you like, ask the Manager himself and I am sure if he is an honest man he will come forward and say that most of the people have made fortunes out of this mean system of corruption,—money taken from these poor people.

Q. The charge you really are making is that the jobber victimises the mill hand ?
A. I would say the higher officials too. I would say the weaving master, the carding master and all—a regular fraternity.

Q. But these charges are brought against all capitalist systems, by labour against capital. Are you making a charge against mill agents in this connection or merely against their subordinates ?
A. I do expect the agents to look into it. I do know how far the agents know the extent of such corruption, but they do not take any active measure to suppress them.

Q. The same charges are brought against Government. Do you consider that the mills are specially flagrant offenders in this respect ?
A. I can quote to you the instance of the Police Commissioner. He can dispense with the services of police officials who are found to be in the wrong to a great extent. Therefore there is a terror inspiring the whole machinery on account of which to a certain extent this sort of thing is less common there.

Q. I hope the mill agents will do the same ?
A. They have not been doing it.

Q. But it is quite impossible for us to judge the extent of what you call this corruption, this backstairs influence, etc. What you say may possibly be true to some extent. But that can be said of almost every service or industry anywhere. The extent to which it is general is entirely a different matter.
A. I said it is a part of the mismanagement.

Q. I say this is a very sweeping charge.
A. And we have to prove it through the Union. We want to take you in confidence. We cannot rely absolutely on the promises given by the agents, because once our men are taken within the walls we do not know what happens to them and we do not want to gamble with their future.

Q. We are not a Labour Committee. This is a Tariff Board and I am afraid if we once started investigating this sort of question, we should be here for all time.
A. This will reflect some light on your mind as regards the management. When I say mismanagement, certainly in proof of that I advance this argument. What to do about it depends on the Board.

Q. Supposing we were to ask you to submit proofs of this confidentially, how many cases would you be able to bring forward ?
A. As many cases as are on our file just now.

Q. How many ?
A. I cannot say just now.

Q. At any rate that would be an important point. Let us know what cases you have got on your file and also to what mills they refer. If you prefer the names of the mills to be kept confidential, we will certainly do so. But as regards investigation of individual cases, our time will not permit it.
A. We are very glad that you are prepared to consider the cases that we can submit.

Q. What I want to know is the number of cases you have on your file and the names of mills to which they refer. But as regards investigation of individual cases, that I am afraid is out of the question. We should be glad to know the extent to which you consider this prevails. Did you ever bring cases of this kind to the notice of the millowners ?
A. We did not specifically bring cases before the millowners. We are directly in touch with the masters who supervise the work of the labourers and if they offer no objections we approach the millowners. I do not think we can get proper assistance because our Union is not even recognised by these gentlemen and as it is not recognised it becomes practically impossible for us to approach the high authorities. Therefore we approach the immediate superior and negotiate and bring about an end of the business.

Q. Do you find that on the whole that system is working fairly well. Do the superiors listen to your representations ?
A. Many times when I went to them they did give a sympathetic ear. But their conclusions we never agreed with.

Q. Of course there are always two sides to every question.
A. But then they were prepared to give a sympathetic ear to us.

Q. But you never got beyond lip sympathy ?
A Yes, when it came to practise it became very hard.

Q. I am not quite sure what you mean by flagrant misuse of funds. You talk about certain flagrant misuse of funds.

A. By that I mean the agents, though not a majority of them, have been gambling away a lot of money in speculation. Again if you say that that is a sweeping charge I may say I am prepared to show to you how they do it.

Q. How did they do it ?

A They gamble in the speculation market on the money that they may have got in relation to the mills.

Q. I do not quite follow.

A. If it comes to the question of cotton or fuel or any other item, then there is speculation rife so as to fill the coffers of the agents.

Q How can they speculate in fuel ?

A. In different rates, there are various ways of doing it.

Q. I think we want something more definite than that. Can you explain how they can do that more definitely ? Give us a definite instance.

A. Often times there is a cornering of shares, and as individuals the agents play a very prominent part.

Q. I cannot quite see how that is a misuse of funds acquired from the investing public. I admit it may be objectionable. But I do not quite see how it is a misuse of funds.

A. It is objectionable because it was misused.

Q. There are people who consider that any rash speculation is objectionable. When a man is speculating with his own money, the objection cannot be raised that he is misusing other people's money.

A. I consider the agents to be something like trustees of the moneys invested by the shareholders and therefore they ought to realise their responsibilities, and if they themselves gamble on the property of the shareholders naturally one is driven to this conclusion that there is some kind of misuse of the funds of the investing people. It is this that drove me to write as I did.

Q. I see that one of the solutions you offer is a graded scale of promotion.

A. Yes, Sir, I do not agree that a bonus should be given to the men in rosy times, because I have held to the belief, though I may differ from my colleagues, and I say that much should not be given to the workers. Instead of that the employers should give them all kinds of amenities of life. If you give money to these people there is a likelihood of this money being wrongly spent and therefore if the employers themselves could give them amenities such as housing facilities, cheap grain, free cloth and free technical education I would be content. That is No. 1. I am not prepared to advise bonuses, because that is nothing but a gratification for a certain amount of service that a person might have done. Moreover, it brings in a system of slavery which also I shall explain afterwards. Instead of that, if there is a graded system of payment, if each man knows that he is a permanent institution attached to the mill there is likelihood of his developing efficiency. Here there is no time scale. Certainly the weavers are paid by piece work. If the industry requires to be stabilised I am not quite sure of the worker doing things by fits and starts, because that does not bring about any scope for efficiency. He should be more or less a permanent man. As soon as he goes in he must be able to rise or fall according to his work. But he must know that he can rise to the highest and one day can even become the Manager himself if he were to sufficiently train himself.

Q. There is a good deal of point in your argument for a time scale. But how are you going to fit in the pieceworkers, the men who are paid by the piece. After all there is a good deal to be said for payment by results. I think you would admit that. The difficulty about the time scale of pay is that all people receive the same pay, whether inefficient or efficient.

A. I do not believe they can ever receive it if they prove themselves to be inefficient. Because, again in the time scale there are certain other reservations that if the man proves himself to be inefficient or if the man was on leave for a long time or in circumstances like that, he does not get promotion as in the case of the railways and Port Trust.

Q. But here where a man can turn out more or less work a day according to his personal inclination there is no reason why a better man should be kept back, why a weaver or a more skilful man should be kept back to keep him on an equality with other men.

A. You are right.

Q. Admitting that paying by piecework is desirable how can you fit men into your graded scale ?

A. That consideration may be eliminated for the present.

Q. I don't see how you can eliminate it because the weaver is the most important man in the mill. Could you get over the system by giving the man, as some mills have done, an additional bonus ?

A. Then there is no likelihood of the service improving.

Q. Why ?

A. Because the man is doled out a certain number of coins in proportion to the work and therefore he thinks he will get a few coins more. But then I do not know if that can develop a very good ideal for the reason that there is nothing throughout the service like betterment in the condition of work. I am not quite in favour of piecework being given to men.

Q. You would like the weavers changed to a time-scale ?

A. Yes.

Raja Hari Kishan Kaul.—You said something about the sale of cotton in Khandesh. Is that a particularly bad practice whereby middlemen increase the price ?

A. Not necessarily in Khandesh but anywhere. I wanted to point out the fact that on account of the existence of the middlemen the prices of cotton are higher than they would be if the owner went directly to the cultivators to take the cotton.

Q. Some millowners do arrange to buy cotton direct.

A. That is not within my knowledge. I have never seen an owner going direct to the cultivator and negotiating terms as regards the purchase of cotton.

Q. We have been told that there is some such arrangement.

A. I do not know. The owners stick to the chair whereas the subordinates carry on the business.

Q. You do not want the owner to go to the spot personally ?

A. Why not ? That is the reason why the owner oftentimes does not know how to manage the mill and what the prevailing conditions are.

Q. You cannot expect him to attend to everything.

A. I do not want that he should go every time. I want him at least once to visit the fields.

Q. How many middlemen are there between the cotton grower and the millowner ?

A. There are several. That depends upon the kind of cotton and other things.

Q. I should like to understand how many middlemen there are in Khandesh ?

A. Four to five.

Q. There is the man who sells in the market.

A. The man who brings to the market does not go to the cultivator. There is some other negotiator who is a broker.

Q. In the upcountry markets the grower takes his produce direct to the market and sells it there.

A. He does not do it here. The procedure is this. The owner sends out certain of his men to different parts to hunt out if there is any suitable cotton to be had and then those subordinates again put themselves in negotiation with other brokers and those brokers communicate with others until the final man is reached and then the cultivator is in the hands of a certain broker.

Q. So that the cultivator does not sell his produce in any of the recognised markets but only in the village to the broker ?

A. Yes. There is a series of brokers.

Q. In Khandesh there are four such brokers ?

A. Yes, but I said to you that the number will vary according to the conditions of the place and other things.

Q. You say that several accidents do not come to notice or are suppressed by undue influence. Have you got any facts and figures to support the contention ?

A. I never knew that the Tariff Board was coming on and therefore I have not unfortunately kept a record of the list.

Q. Can you give us some figures ?

A. If you permit me to refer to my files, I shall look them over and inform you.

Q. You can send them later on.

A. Yes, with pleasure; because the fact is that there is no proper understanding cultivated amongst the masses as to the existence of the Act and as to the relief or possibility of the relief that can be given to them.

Q. Are you not doing the needful ?
A. There is a paucity of disinterested workers and when we outsiders work, our activities are suspected and the owners say that we are political gamblers.

Q. You are not suspected by the workers ?
A. No. We are in the confidence of the workers.

Q. You are educating them ?
A. Yes; we are trying to do so.

Mr. Subba Rao.—You make a reference to a review by Mr. J. A. Wadia of the industries working in certain years. Do you refer to his reviews published annually in the *Times of India* ?
A. Yes.

Q. You say in certain years, that is, 1919 onwards, there was no proportionate increment given to the men in view of the terrible rise in the cost of living. That is you assume that wages should rise in some proportion to the increase in the cost of living ?
A. Yes.

Q. Would you also admit then that they should also decline in proportion to the decline in the cost of living ?
A. If you read the whole statement carefully, my protest is against the present management itself and if you take that ideal then I would say there should be no possibility of reducing the wages at all.

Q. I will come to that. But just now you say wages did not rise in proportion to increase in the cost of living.
A. That was not the only factor.

Q. That is one of the factors.
A. Yes.

Q. But would you, on the other hand concede that if the cost of living came down, wages should also come down in proportion ?
A. We shall have to consider the cost of production and how much the owners get for themselves, because we do not want to part with our profits.

Q. What I want is this, that if this is one of the factors to be taken into account it ought to be given its proper value whether the wages will in consequence go up or go down.
A. But human nature is human nature and once you give a rise it cannot be taken away.

Q. But should you not as a labour leader help the people to understanding things better ?
A. For this reason, that we adjust our living conditions according to the wages that we receive and having once raised the wages in a particular way you cannot bring them down, for you have established a certain social condition.

President.—But then, would not the millowners look at it this way ? If you take the view that once the wages go up they can never go down because you adjust yourself to a certain scale of living, does not that provide the other side with a powerful argument for never putting them up ?
A. That is not the only object with which we increase the wages. You are taking much more money on account of our labour and therefore pay us. That is also one of our contentions.

Raja Hari Kishan Kaul.—When they are losing ?
A. Under the present conditions the agents have also necessarily made us losers by trying to take our 11½ per cent.

Mr. Subba Rao.—They have not yet taken it.
A. They have not because we brought pressure upon the Government of India and we fought the battle against the millowners. The poor men suffer.

Raja Hari Kishan Kaul.—Supposing they are still losing ?
A. Our eyes will immediately be turned to the question whether we are able to live under the new conditions that might be started.

Mr. Subba Rao.—I agree. But I am merely speaking of one of the factors.
A. I cannot agree to that. Once the scale is raised it cannot be lowered on account of the numerous reasons I have suggested.

Q. Then you speak of a time-scale. But do you think the industry is always able to bear the rise in wages ? Does it not depend upon its profitableness ?

A. At the same time I assume the advancing profitableness to the owners.

Q. You mean the industry will be stabilised in such a way as to obtain right through increase in profits ?

A. Yes. Till a fixed standard laid down by the time-scale is reached. I have before me a distant vision when the industry is stabilised and the whole system yields regular profits determined by economical factors.

Q. When the industry is stabilised, profits too must be stabilised. They cannot increase.

A. Possibly. I only had my eye upon the profits also being stabilised. All that means that the whole concern runs so smoothly as never to create a depression like the present.

Q. In any case you get something like a stationary stage of production which must also mean stationary character of wages. But just now would you accept some kind of sliding scale arrangement in relation chiefly to the cost of living, as well as to the prosperity of the concern ? It is done in other countries.

A. It may have to be done, but it requires a very careful study because there are mills and mills, managements and managements.

Q. Taking the industry as a whole, do you think it reasonable to have some system of sliding scale based upon the profits ? Is there any possibility of the wages being lowered under the sliding scale ?

A. Yes, quite possible, assuming a certain minimum.

Q. It is hard to fix a minimum. Have you given that matter consideration ?

A. Not much close attention.

Q. You never thought of a possible decrease ?

A. I think the industry will be so founded as to be able to pay more and more.

Q. That is a happy condition of things.

A. Certainly ; we labourers desire such a condition to be soon reached in our midst with proper justice on the part of the employers.

Q. You say the subordinate superior staff are getting something like double or treble their former monthly salaries. Have you definite facts in support of this statement ?

A. Yes, I have got them.

Q. If you can give us a list of the names of the mills and what kind of posts are carrying such enhanced salaries it will be helpful.

A. I shall send you one later.

Mr. Majmudar.—Only one question and that is about the report about accidents. All the mills have to report all accidents to the Factory Inspector, the District Magistrate and I believe also the Compensation Officer.

A. The procedure as it is at present I have placed before you. The man might be open to go to them and there may be certain possibilities but then advantage is never taken of them.

Q. But these people, the Factory Inspector and others also institute enquiries.

A. The statements are all taken from the Agents.

Q. No, they go to the man concerned and that man himself has to file a statement.

A. I am not quite sure of it ; because there are some cases in which no proper notice has been taken.

Witness No. 56

MESSRS. A. F. FERGUSON AND CO., CHARTERED ACCOUNTANTS, BOMBAY

Written Statement dated the 13th August 1926

We beg to enclose herewith the following statements in connection with the Cotton Mill Industry of Bombay for the period from 1917 to 1924 :—

(*a*) Combined Balance Sheets and relative Profit and Loss Account with the appropriations of Profits.

(*b*) Statistics of Paid-up Capital, Block, Profits, Dividends, Reserves, etc., and the percentage of dividends to Paid-up Capital.

It was found impossible to prepare absolutely accurate figures for each calendar year in view of the fact that some mills close their accounts in December, others in March or June. Accordingly mills closing at say March 1918 were recorded in the year 1917 and so on. Further, several mills changed their closing date during the period under review.

There has been a marked increase in the Paid-up Capital in 1920 which can be largely explained by an increase in the number of mills tabulated from 66 to 77.

Increases in Reserves in column 3 are self-explanatory if read in conjunction with column 10. There are apparent differences from year to year due to the following :—

(*a*) Interest on Reserves separately invested going direct to the credit of " Reserves " and not passing through Profit and Loss appropriation.

(*b*) Applying Reserves to specific purposes.

(*c*) Difference in number of mills tabulated.

Depreciations as shown in column 5 are those which have been either charged to the Profit and Loss Account or transferred through the Profit and Loss Appropriation Account in the individual Mill Balance Sheets. To maintain uniformity in the preparation of our figures we have taken these into account before arriving at the net Profit or Loss.

We may observe that while several companies appear to have considerably over depreciated their Block account looking to present values, several others have still considerable arrears of depreciation to write off. The figures shown for depreciation in 1923 and 1924 are much below the normal depreciation which should have been written off ; say 2½ per cent. and 5 per cent. on the original cost of Buildings and Machinery respectively. The correct allowances should be Rs. 1,81,82,222 in 1923 and Rs. 1,83,54,013 in 1924 (see statement " C ") against Rs. 75,59,745 and Rs. 42,88,809 shown in statement " B. " It is hardly necessary to mention that the allowances for depreciation suffered on account of the diminution in profits and that in considering the industry for these years the normal allowances should be taken into account.

Income Tax and Super Tax have in several cases been paid out of Reserves made in previous years although in fact they should be a charge to the Profit and Loss Account of the same year in which Profits are earned and should be so treated in arriving at the current Profit or Loss for 1923 and 1924. Making these adjustments for 1923 and 1924 the results work out as follows : (*vide* statement " C " attached).

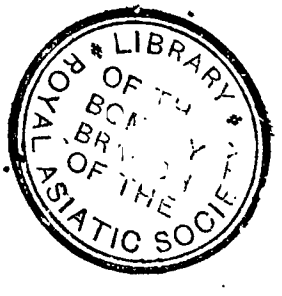
For 1923.	Rs.	Rs.
Profit as shown in column 7 statement " B " ..		33,12,933
Less : Depreciation which should have been written off (statement " C ")	1,81,82,222	
Less : Already charged in P. & L. a/c ..	75,59,745	
	1,06,22,477	
Income and Super Tax paid out of Reserves and appropriated ..	54,30,573	
Insurance and Workmen's welfare charges appropriated	73,000	1,61,26,050
Net Loss should have been ..		1,28,13,117

	Rs.	Rs.
which was roughly estimated at .	1,30,43,977	
For 1924 :		
Net Loss as shown in column 7 statement " B " ..		91,69,863
Add : Depreciation which should have been written off (statement " C ")	1,83,54,013	
Less : Charged to Profit and Loss Account ..	42,88,809	1,40,65,204
Workmen's Welfare Expenses		43,321
Income and Super Tax paid out of Reserves		9,98,718
Net Loss should have been		2,42,77,106

Dividends Paid.

In 1923 the dividends paid were partly from the years Profits which amounted to Rs. 33,12,933, *i.e.*, 1·7 per cent. and from the previous years Profits to the extent of Rs. 60,56,534, *i.e.*, 3·2 per cent. Dividends paid in 1924 were wholly out of previous years profits in view of that year having made a loss, treating the industry as a whole, and ignoring the fact that a few companies earned profits.

We are of opinion that Dividends paid can be compared only to the intrinsic value of the share and not to its paid up or nominal value.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ANNEXURE A (i)

Balance Sheet as at 31st December 1917

LIABILITIES			ASSETS		
Capital—	Rs.	Rs.		Rs.	Rs.
Shares ..	7,65,67,395		Land and Buildings ..	5,94,60,054	
Reserves ..	2,43,71,776		Machinery ..	12,03,61,402	
Carried forward ..	7,36,071		Total ..	17,98,21,456	
		10,02,03,100	*Less*—Depreciation ..	5,85,74,540	
Debentures ..		1,77,84,000			12,12,46,916
Other Liabilities ..		13,91,86,013	Other Assets ..		15,93,70,172
Profit		3,02,06,860	Interim Dividend Paid.		67,62,885
Total ..		28,73,79,973	Total ..		28,73,79,973

Profit and Loss Account, year to 31st December 1917

	Rs.	Rs.		Rs.
Wages and Office Establishment ..	2,58,98,604		Gross Profit ..	8,82,46,867
Bonus to Staff ..	3,48,697			
		2,62,47,301		
Income Tax, Super Tax and Excess Profits Duty	18,91,336			
Excise Duty ..	35,47,513			
Municipal and Other Taxes ..	6,92,541			
		61,31,390		
Expenses ..		1,31,63,464		
Agents Commission ..		39,31,918		
Depreciation ..		85,65,934		
Total Expenses ..		5,80,40,007		
Balance, net Profit as above ..		3,02,06,860		
Total ..		8,82,46,867	Total ..	8,82,46,867
Dividends ..		1,69,62,045	Net Profit brought down	3,02,06,860
Reserves ..		80,96,030		
Provident Fund ..		1,07,893		
Balance carried forward ..		50,40,892		
Total ..		3,02 06,860	Total ..	3,02,06,860

(ii)

Balance Sheet as at 31st December 1918

LIABILITIES			ASSETS		
	Rs.	Rs.		Rs.	Rs.
Capital —			Land and buildings ..	6,40,99,836	
Shares ..	8,10,45,715		Machinery ..	13,11,73,897	
Reserves ..	3,42,99,900			19,52,73,733	
Carried forward ..	6,59,877	11,60,05,492	*Less*: Depreciation ..	6,76,51,880	12,76,21,853
Debentures ..		1,77,50,000	Other Assets ..		22,49,32,260
Other liabilities ..		20,83,31,750	Interim dividend paid.		1,23,40,675
Profit ..		2,28,07,546			36,48,94,788
		36,48,94,788			

Profit and Loss Account, year to 31st December 1918

	Rs.	Rs.		Rs.
Wages and Office Establishment ..	3,70,05,234		Gross Profit ..	10,42,17,800
Bonus to Staff ..	4,68,354	3,74,73,588		
Income Tax, Super Tax and Excess Profits Duty ..	53,77,646			
Excise Duty ..	63,10,306			
Municipal and Other Taxes ..	8,15,774	1,25,03,726		
Expenses ..		1,88,68,856		
Agents' Commission ..		37,76,176		
Depreciation ..		87,87,908		
Total Expenses ..		8,14,10,254		
Balance, Net Profit as above		2,28,07,546		
		10,42,17,800		10,42,17,800
Dividends ..		1,91,95,613	Net Profit brought down	2,28,07,546
Reserves ..		38,23,022		
Provident Fund ..		48,692	Balance carried forward ..	2,59,781
		2,30,67,327		2,30,67,327

(iii)

Balance Sheet as at 31st December 1919

LIABILITIES			ASSETS		
Capital	Rs.	Rs.		Rs.	
Shares ..	9,40,10,530		Land and Buildings ..	6,96,57,784	
Reserves ..	3,76,05,993		Machinery ..	13,98,25,206	
Carried forward ..	2,71,065				
		13,18,87,588	Total ..	20,94,82,990	
Debentures ..		1,92,50,000	*Less*—Depreciation.	8,05,71,486	
					12,89,11,504
Other Liabilities ..		15,01,25,230	Other Assets ..		23,01,73,451
Profit		6,15,66,648	Interim Dividend Paid		1,28,44,511
Total ..		37,19,29,466	Total ..		37,19,29,466

Profit and Loss Account, year to 31st December 1919

	Rs.	Rs.		Rs.
Wages and Office Establishment ..	3,98,20,523		Gross Profit ..	15,69,04,453
Bonus to staff ..	5,86,539	4,04,07,062		
Income Tax, Super Tax and Excess Profits Duty ..	66,16,719			
Excise Duty ..	75,93,221			
Municipal and other Taxes	12,53,987	1,54,63,927		
Expenses		1,73,29,738		
Agents Commission ..		76,97,832		
Depreciation ..		1,44,39,246		
Total Expenses ..		9,53,37,805		
Balance, Net Profit as above ..		6,15,66,648		
Total ..		15,69,04,453	Total ..	15,69,04,453
Dividends ..		3,77,20,074	Net Profit brought down	6,15,66,648
Reserves ..		1,90,36,873		
Provident Fund ..		2,06,414		
Balance carried forward		46,03,287		
Total ..		6,15,66,648	Total ..	6,15,66,648

(iv)

Balance Sheet as at 31st December 1920

LIABILITIES	Rs.	Rs.	ASSETS	Rs.	Rs.
Capital—			Land and Buildings ..	12,83,63,529	
Shares ..	16,98,67,485		Machinery ..	20,66,84,725	
Reserves ..	6,19,92,973			33,50,48,254	
Carried forward ..	33,31,250		*Less*: Depreciation.	9,79,55,068	
		23,51,91,708			23,70,93,186
Debentures ..		2,41,50,000	Other Assets ..		31,47,00,141
Other liabilities ..		21,68,88,415	Interim Dividend Paid.		2,54,99,970
Profit		10,10,63,174			
		57,72,93,297			57,72,93,297

Profit and Loss Account, year to 31st December 1920

				Rs.
Wages and Office Establishment ..	6,52,02,436		Gross Profit ..	24,14,57,776
Bonus to Staff ..	7,51,454	6,60,43,890		
Income Tax, Super Tax and Excess Profits Duty ..	1,32,70,937			
Excise Duty ..	1,05,95,245			
Municipal and Other Taxes	10,09,007	2,48,75,189		
Expenses ..		2,04,57,064		
Agents' Commission ..		1,26,43,393		
Depreciation ..		1,63,75,066		
Total Expenses		14,03,94,602		
Balance, Net Profit as above ..		10,10,63,174		
		24,14,57,776		24,14,57,776
Dividends ..		5,98,15,856	Net Profit brought down	10,10,63,174
Reserves ..		3,18,18,035		
Provident Fund ...		3,02,519		
Balance carried forward ..		91,26,764		
		10,10,63,174		10,10,63,147

(v)

Balance Sheet as at 31st December 1921

LIABILITIES			ASSETS		
Capital—	Rs.	Rs.		Rs.	Rs.
Shares ..	17,83,11,137		Land and Buildings ..	14,28,93,218	
			Machinery ..	23,79,61,541	
Reserves ..	8,99,02,369			38,08,54,759	
Carried Forward ..	81,92,411		Less Depreciation	11,85,24,687	
		27,64,05,917			26,23,30,072
Debentures ..		2,16,50,000	Other Assets ..		31,57,89,896
Other Liabilities ..		21,97,13,954	Interim dividend paid.		2,42,94,508
Profit ..		8,46,44,605			
Total ..		60,24,14,476	Total ..		60,24,14,476

Profit and Loss Account, year to 31st December 1921

	Rs.	Rs.		Rs.
Wages and Office Establishment ..	7,31,17,170		Gross Profit ..	23,57,13,631
Bonus to Staff ..	8,26,659	7,39,43,829		
Income Tax, Super Tax and Excise Profits Duty ..	1,45,17,644			
Excise Duty	1,00,57,714			
Municipal and other Taxes	12,46,198	2,58,21,556		
Expenses ..		2,12,86,109		
Agents Commission ..		1,18,38,795		
Depreciation ..		1,81,78,737		
Total, Expenses ..		15,10,69,026		
Balance, Net Profit as above ..		8,46,44,605		
Total ..		23,57,13,631	Total ..	23,57,13,631
Dividends ..		5,34,78,623	Net Profit brought down ..	8,46,44,605
Reserves ..		3,32,60,455	Balance carried forward ..	24,32,286
Provident Fund ..		3,37,813	..	
Total ..		8,70,76,891	Total ..	8,70,76,891

(vi)

Balance Sheet as at 31st December 1922

LIABILITIES	Rs.	Rs.	ASSETS	Rs.	Rs.
Capital—			Land and Buildings ..	15,45,03,662	
Shares ..	17,06,28,996		Machinery ..	27,49,86,316	
Reserves ..	11,06,14,129			42,94,89,978	
Carried forward ..	48,30,961		*Less*—Depreciation.	13,39,99,677	
		30,40,74,086			29,54,90,301
Debentures ..		2,20,50,000	Other Assets ..		29,18,09,488
Other Liabilities ..		23,85,21,882	Interim Dividend paid		1,60,97,770
Profit		3,87,51,591			
Total		60,33,97,559	Total ..		60,33,97,559

Profit and Loss Account, year to 31st December 1922

	Rs.	Rs		Rs.
Wages and Office Establishment ..	7,65,20,534		Gross Profit ..	18,29,69,327
Bonus to Staff ..	6,23,816			
		7,71,44,350		
Income Tax Super Tax and Excess Profits Duty	1,11,38,004			
Excise Duty ..	93,18,856			
Municipal and Other Taxes	18,18,422			
		2,22,75,282		
Expenses ..		2,40,24,513		
Agents Commission ..		69,32,452		
Depreciation ..		1,38,41,139		
Total Expenses ..		14,42,17,736		
Balance, Net Profit as above		3,87,51,591		
		18,29,69,327		18,29,69,327
Dividends ..		2,94,44,334	Net Profit brought down	3,87,51,591
Reserves ..		1,38,03,308	Balance carried forward ..	*45,59,453*
Provident Fund ..		63,402		
Total		4,33,11,044	Total	4,33,11,044

(vii)

Balance Sheet as at 31st December 1923

LIABILITIES	Rs.	Rs.	ASSETS	Rs.	Rs.
Capital—			Land and Buildings ..	16,58,71,914	
Shares ..	19,18,62,213		Machinery ..	29,96,23,388	
Reserves ..	13,16,48,289		Total ..	46,54,95,302	
Carried forward ..	26,62,941		*Less*—Depreciation.	14,77,14,059	
		32,61,73,443			31,77,81,243
Debentures ..		3,43,08,933			
Other Liabilities ..		24,04,10,911	Other Assets ..		28,64,24,977
Profit		33,12,933			
Total ..		60,42,06,220	Total ..		60,42,06,220

Profit and Loss Account, year to 31st December 1923

	Rs.	Rs.		Rs.
Wages and Office Maintenance ..	663,45,343		Gross Profit ..	11,40,62,309
Bonus to Staff ..	50,400			
		6,63,95,743		
Income Tax Super Tax Excess Profits Duty.	25,44,948			
Excise Duty ..	89,69,799			
Municipal and Other Taxes	22,65,280			
		1,37,80,027		
Expenses		1,98,09,401		
Agents Commission ..		32,04,460		
Depreciation ..		75,59,745		
Total Expenses ..		11,07,49,376		
Balance, Net Profit as above		33,12,933		
		11,40,62,309		11,40,62,309
Dividends ..		93,69,467	Net Profit brought down ..	33,12,933
			Withdrawals from Reserves ..	9,72,092
			Balance carried forward ..	*50,84,442*
		93,69,467		93,69,467

(viii)

Balance Sheet as at 31st December 1924

LIABILITIES	Rs.	Rs.	ASSETS	Rs.	Rs.
Capital—			Land and buildings ..	16,62,15,468	
Shares ..	19,28,15,036		Machinery ..	30,14,32,995	
Reserves ..	12,14,33,800		Total ..	46,76,48,463	
Carried forward ..	*11,65,497*	31,30,84,239	*Less*—Depreciation ..	15,20,02,868	31,56,45,595
Debentures ..		3,12,52,800	Other Assets ..		24,12,58,839
Other Liabilities ..		22,17,37,258	Loss		*91,69,863*
Total ..		56,60,74,297	Total ..		56,60,74,297

Profit and Loss Account, year to 31st December 1924

	Rs.	Rs.		Rs.
Wages and Office Maintenance ..	6,33,49,179		Gross Profit ..	9,20,86,327
Bonus to Staff ..	40,852	6,33,90,031	Balance, Net Loss as above	*91,69,863*
Income Tax Super Tax Excess Profits Duty.	5,21,643			
Excise Duty ..	89,74,442			
Municipal and Other Taxes	21,04,458	1,16,00,543		
Expenses ..		2,01,94,133		
Agents Commission ..		17,82,674		
Depreciation ..		42,88,809		
Total ..		10,12,56,190	Total ..	10,12,56,190
Net Loss brought down ..		*91,69,863*	Withdrawals from Reserves ..	63,67,302
Dividends ..		60,84,686	Balance carried forward	*88,87,247*
Total ..		1,52,54,549	Total	1,52,54,549

ANNEXURE B

The Bombay Cotton Mill Industry

Year	Capital Paid-up	Reserves Including Carried Forward	Original Cost of Land, Buildings, & Machinery	Land, Buildings, and Machinery after Depreciation	Annual Depreciation written off	Net Profit or Loss
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1917 ..	7,65,67,395	2,36,35,705	17,98,21,456	12,12,46,916	85,05,934	3,02,06,860
1918 ..	8,10,45,715	3,49,59,777	19,52,73,733	12,76,21,853	87,87,908	2,28,07,546
1919 ..	9,40,10,530	3,78,77,058	20,94,82,990	12,89,11,504	1,44,39,246	6,15,66,648
1920 ..	16,98,67,485	6,53,24,223	33,50,48,254	23,70,93,186	1,63,75,066	10,10,63,174
1921 ..	17,83,11,137	9,80,94,780	38,08,54,759	26,23,30,072	1,81,78,737	8,46,44,605
1922 ..	17,96,28,996	12,44,45,090	42,94,89,978	29,54,90,301	1,88,41,139	3,87,51,591
1923 ..	19,18,62,213	13,43,11,230	46,54,95,302	31,77,81,243	75,59,745	33,12,933
1924 ..	19,28,15,936	12,02,68,303	46,76,48,463	31,56,45,595	42,88,809	91,69,863

Year	Dividend	Percentage of Dividends to Paid-up Capital	Reserves	Provident Fund	Carried forward	No. of Mills
1	8	9	10	11	12	13
	Rs.		Rs.	Rs.	Rs.	
1917 ..	1,69,62,045	22·2 per cent. on Capital	80,96,030	1,07,893	50,40,892	66
1918 ..	1,91,95,613	23·7 do. do. ..	38,23,022	48,692	2,59,781	63
1919 ..	3,77,20,074	40·1 do. do. ..	1,90,36,873	2,06,414	46,03,287	66
1920 ..	5,98,15,856	35·2 do. do. ..	3,18,18,035	3,02,519	91,26,764	77
1921 ..	5,34,78,623	30·0 do. do. ..	3,32,60,455	3,37,813	24,32,286	77
1922 ..	2,94,44,334	16·4 do. do. ..	1,38,03,308	63,402	45,59,453	77
1923 ..	93,69,467	4·9 do. do. ..	9,72,092	..	50,84,442	81
1924 ..	60,84,686	3·2 do. do. ..	63,67,302	..	88,87,247	79

Note.—Figures in heavy type indicate
Column 7 Net Loss.
„ 10 Withdrawals from Reserves.
„ 12 Balance Loss carried forward.

ANNEXURE C

o

The Bombay Cotton Mill Industry

Year	Capital Paid up	Reserves Including Carried Forward	Original Cost of Land Buildings and Machinery	Land, Buildings, and Machinery after Depreciation	Annual Depreciation written off	Net Profit or Loss
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1917 ..	7,65,67,395	2,36,35,705	17,98,21,456	12,12,46,916	85,65,934	3,02,06,860
1918 ..	8,10,45,715	3,49,59,777	19,52,73,733	12,76,21,853	87,87,908	2,28,07,546
1919 ..	9,40,10,530	3,78,77,058	20,94,82,990	12,89,11,504	1,44,39,246	6,15,66,648
1920 ..	16,98,67,485	6,53,24,223	33,50,48,254	23,70,93,186	1,63,75,066	10,10,63,174
1921 ..	17,83,11,137	9,80,94,780	38,08,54,759	26,23,30,072	1,81,78,737	8,46,44,605
1922 ..	17,96,28,990	12,44,45,090	42,94,89,978	29,54,90,301	1,38,41,139	3,87,51,591
1923 ..	19,18,62,213	*13,98,14,803	46,54,95,302	*30,71,58,766	*1,81,82,222	*1,28,13,117
1924 ..	19,28,15,936	*12,13,10,342	46,76,48,463	*30,15,80,391	*1,83,54,013	*2,42,77,106

Year	Dividend	Percentage of Dividends to Paid-up Capital	Reserves	Provident Fund	Carried Forward	No. of Mills
1	8	9	10	11	12	13
	Rs.		Rs.	Rs.	Rs.	
1917 ..	1,69,62,045	22·2 per cent. on Capital	80,06,030	1,07,893	50,40,892	66
1918 ..	1,91,95,613	23·7 do. do. ..	38,23,022	48,692	2,59,781	63
1919 ..	3,77,20,074	40·1 do. do. ..	1,90,36,873	2,06,414	46,03,287	66
1920 ..	5,98,15,856	35·2 do. do. ..	3,18,18,035	3,02,519	91,26,764	77
1921 ..	5,34,78,623	30·0 do. do. ..	3,32,60,455	3,37,813	24,32,286	77
1922 ..	2,94,44,334	16·4 do. do. ..	1,38,03,308	63,402	45,59,453	77
1923 ..	93,69,467	4·9 do. do. ..	9,72,092	....	*2,12,10,492	81
1924 ..	60,84,686	3·2 do. do. ..	63,67,302	....	*2,39,94,490	79

Note.—Figures in heavy type indicate

Column 7 Net Loss.

,, 10 Withdrawals from Reserves.

,, 12 Balance Loss carried forward.

The figures for 1923 and 1924 marked (*) are arrived at after making adjustment stated in our letter.

A. FERGUSON & Co.,
Chartered Accountants.

Bombay, 13th August 1926.

ANNEXURE D

Copy of letter dated March 27th, 1924 addressed to the Bombay Millowners' Association relating to the preparation of Statistics of the Bombay Cotton Mill Industry for the period from 1917 to 1923

In accordance with your Committee's request we forward the following comments on matters arising in our recent preparation of Statistics for the Bombay Cotton Mill Industry for the period from 1917 to 1923.

It should be noted that the results tabulated for each calendar year are not strictly accurate for the following reasons :—

(1) The financial years of the mills do not coincide.
(2) Several mills changed their closing date during the period.
(3) Accounts are drawn up in different ways, and information required is not always ascertainable.

With regard to (1) and (2) we had insufficient time at our disposal to make proportionate adjustments and mills closing at say March, 1918, were recorded in the year 1917 and so on. A more correct adjustment would have been to take 3 4ths of that year *plus* 1 4th of the previous years; similarly with mills which changed their financial year.

With regard to (3) the chief difficulty was Income and Super Tax. To facilitate tabulation the Tax debited in the Profit and Loss Accounts was taken as applying to the year in which it appeared. Some Companies, however, make reserves for tax to be collected in the succeeding year, others make no reserve, while a few leave sufficient in the " carry forward " balance.

We are glad to state however that from the information at our disposal we were enabled to certify the Statistics prepared by us without having to qualify our report in any way detrimental to its purpose.

We think our percentage figures coincide with the general opinion of the progress of the Industry during the past seven years. To our mind the most informative and reliable bases for percentage calculations are those of " Capital employed " and " Original cost of Block." Mr. J. A. Wadia's published Statistics are based on share capital which in our opinion is an entirely erroneous basis. Owing to the vast reservation of profits in the recent past, original Share Capital now bears no definite relation to the Assets of the Industry or to the outturn or profits earned. Further, Dividends paid can be compared only to the intrinsic value of the Share and not to its paid up value.

Original cost of Block is in several respects a better basis of calculation than " cost less depreciation." Several companies have still considerable arrears of depreciation to write off. For the year 1923 many companies will have insufficient profits to cover their usual depreciation and this would reflect on 1924 percentage were the reduced cost taken as a basis. Several other Companies have considerably over-depreciated looking to present values.

We believe your Committee are in favour of maintaining a record of the statistics already prepared, and continuing them in the future. We feel it would be of advantage to the Association to have such records available not only for Cotton Mills, but for Woollen and Silk Mills also.

We suggest therefore that the statistics prepared for the years 1917 to 1922 be recorded in a suitable register, in a form to be approved by your Committee. Our draft papers are available for this purpose, but minor adjustments may require to be made therein. We will be pleased to go into the matter, and suggest what form as regards particulars the register should take.

The procedure to be followed for recording 1923 and future statistics would require to be decided by your Committee, but we would be prepared to undertake this work for a fee to be agreed upon.

Witness No. 56

MESSRS. A. F. FERGUSON AND CO., BOMBAY

Oral Evidence of Mr. A. Gilchrist of Messrs. Ferguson and Co., recorded at Bombay on the 26th August 1926

Mr. Gilchrist.—I have drawn up a statement generally giving you an idea of what we do in connection with stocks and audits. There are two copies there. (See Annexure A.)

President.—Thank you very much. What is bardana ?

A. We used to call it hessian, for covering bales.

Raja Hari Kishen Kaul.—This statement gives all the information, except that I should like to know whether this verification is made on the last day of the year or the last day of the half year.

A. Last day of the complete year or half year as soon as possible, but certainly within 24 hours and the mill is closed down then.

Q. The mill does not start working until you finish your verification ?

A. Yes ; it is checked before the mill starts again.

Q. You think it would be a very serious defect if this were not done ? Supposing the auditor went to verify the stocks one month or fifteen days after close of the year, when the mill has been running ?

A. It is a very difficult matter to work back.

Q. Not impossible ?

A. Not impossible ; but a lot of adjustments in in-coming stock and out-going stock have to be made. It could be done.

Q. But very difficult ?

A. Yes, difficult.

President.—I think this statement you have been good enough to put in, Mr. Gilchrist explains the procedure you adopt so thoroughly that we have really nothing else to ask you for the moment.

A. I have also included a list of mills that we checked and those which we have actually check-stocked.

Q. What do you do with regard to the others ?

A. We do not check the stock of all the mills.

Q. How is that ? Who does it ?

A. The mill makes other arrangements for it. It is not necessary for an auditor to check-stock.

Q. I should think it is rather an important part of the duty of an auditor, speaking as a layman.

A. It is not done in all cases. Certainly it is not done in England except in cotton mills. Auditors never check-stock in ordinary commercial businesses.

Q. Where you check-stock, do you actually give a statement to that effect in your audit report ? Do you give a certificate at the end of the report ?

A. We give a certificate to the agents and in some cases it is stated in the Balance Sheet.

Q. In those cases in which you do not check-stock, you accept the agent's certificate ?

A. We accept the certificate of the agent, but we do check part of it. We check the prices and calculations. We do everything except seeing the actual existence of the stock for which the agents will make other arrangements.

Mr. Geddis.—As regards writing goods at cost price or market price, I do not know whether you want to ask about that point.

President.—I think what we were concerned about was, judging from the purely accounts point of view which is a sounder procedure and the conclusion which we have arrived at this morning was that it did not make any difference provided the procedure was the same every year.

Mr. Gilchrist.—Yes ; I think so. I agree to that.

Q. The question we would ask you, Mr. Gilchrist, is whether in your experience of mill audit which is from this statement a very extensive one, you have ever come across a case where a mill, in order to suit its convenience, has changed from one system to the other ?

A. Never.

ANNEXURE A

Cotton Bales

These are checked by actual count and verified with the balances shown in the cotton ledger kept at the mills.

The number of bales are counted by us and verified with the inventories submitted for audit; this is thereafter checked with the cotton register in respect of weight, rate, etc.

Yarn and Cloth Bales

These are checked by actual count into a rough inventory and verified with the yarn and cloth registers kept at the mills. A selection of the numbers and marks printed on the bales is verified with the register. The fair inventory submitted for audit is subsequently verified and we test a selection of the items with office records. Selection of calculation of weights and prices shown therein is also checked at the time of audit. Prices of selected items are also verified with contracts and selling agents' statements. Apart from the above we accept the certificate given by the managing agents regarding general prices.

Cotton in Process

This is accepted as shown by the mill daily record book. We satisfy ourselves that the stock shown on the day of our visit is generally the average balance. As regards the cotton laps these are actually counted and a selection of these are weighed to verify the weight shown in the stock sheet submitted to us.

Yarn in Process

A selection of yarn beams and bobbins lying in the various departments and on the machines is checked and verified with the weights shown in the stock sheets. Loose bundles of yarn are checked by actual count. The valuation of this stock is accepted as certified by the agents.

Cloth in Process

Selection of this stock is verified with the loom cards as regards the pieces shown therein and also with the daily production book. The loose pieces are verified by actual count. Prices of a selection are checked with the selling agents' sale notes, etc.

Stores, Dyes and Chemicals

A large number of items of the above is checked by actual count or weighment. Some of the balances are also compared with store ledger balances. A selection of prices is verified with the bills and invoices at the time of audit.

Oil

This is verified by actual measurement and the quantity compared with the book balance. Value of the quantity is checked with the invoices received at the time of audit.

Stock of Coal, Bardanas and Hoop Iron

The list submitted by the mill manager is verified with the respective book balances. The existence of this stock is verified and quantities roughly estimated.

Waste

Selection of items of this stock is checked by actual count or weighment and we satisfy ourselves that the quantity shown in the stock inventory is approximately correct. This is further verified with the waste register. Regarding the prices selection of these is tested with the bills received or rendered.

General

The stock checked by us is subsequently compared with the stock inventories submitted for audit. Selection of calculations and complete additions are checked. Care is taken to ensure that stock taken credit for is either paid for, or the liability provided for.

Stock with Selling Agents and on Consignment

This is verified with the certificates received from the parties.

As far as possible care is taken to see that no bales of cloth sold and paid for but not taken delivery of, are included in the stock sheets.

Where the stock is lying in possession of the mortgagee we see a certificate submitted by the party in verification thereof.

		Stock-checked.
Bombay Cotton Mills.—		
1	Bombay Industrial Mills, Ltd.	S
2	Century Spinning and Weaving Mills	....
3	E. D. Sassoon United Mills	....
4	Union Mills	....
5	Bombay Dyeing and Manufacturing Company	....
6	Bombay Cotton Manufacturing Company	....
7	Crescent Mills	S
8	Fazulbhoy Mills	S
*9	Indore Malva United Mills	S
10	Jamshed Manufacturing Company	S
11	Pearl Mills	S
12	Premier Mills	S
*13	Coylon Spinning and Manufacturing Company	....
14	Colaba Land	S
15	Edward Sassoon Mills	S
16	Gold Mohur Mills	S
17	Finlay Mills	S
18	Globe Mills	....
*19	Gokak Mills	....
20	Kasturchand Mills	S
21	Kohinoor Mills	S
22	Mathuradas Mills	S
23	Mahadevrao Scindia Mills	S
24	Madhovji Dharamsey Mills	S
25	Meyer Sassoon Mills	S
26	New City Mills	S
27	New Prince of Wales Mills	....
28	New Great Eastern Spinning and Weaving Mills	S
29	Sir Shapurji Broacha Mills	S
30	Swan Mills	S
31	Sassoon Spinning and Weaving Mills	....
Woollen Mills.—		
1	Bombay Woollen Manufacturing Company	....
2	Indian Woollen Mills	S
Up-country Mills.—		
1	Shri Shahu Chatrapati Mills, Kolhapur	....
2	Osman Shahi Mills, Hyderabad	S
3	Binod Mills, Ujjain	S
4	Hukumchand Mills, Indore	S
5	Kalyanmal Mills, Indore	S
6	Nandalal Bhandari Mills, Indore	S
7	Rajkumar Mills, Indore	S
8	Swadeshi Cotton and Flour Mills, Indore	S
9	State Mills, Indore	S
10	Mysore Spinning and Weaving Company, Ltd., Mysore	....
11	Minerva Mills, Mysore	....
Cotton Mills Discontinued.—		
1	Bhivani Cotton Spinning and Weaving Mills, Bhivani	In liquidation.
2	Hubli Mills, Hubli	Do.

*These three Mills are up-country but have their Head Offices in Bombay and Nos. 13, 19 and 27 are not included in the Statistical Statements.

Witness No. 57

MESSRS. GREAVES COTTON AND CO., LTD., BOMBA

Written Statement, dated Bombay, the 26th August 1926

1. There is scope for a reduction in the labour costs in mills in India by the introduction of automatic looms. The difficulty as regards labour seems to be that of persuading the individual Indian operative that there is little more work in supervising say six or eight automatic looms as compared with say two of the ordinary looms. The difficulty as regards production lies in the fact that ordinarily automatic looms are more suitable and much more economical when manufacturing standard cloths of good quality. The economy in labour we would estimate as at least a 50 per cent. reduction. Messrs. Binny and Co., Ltd., of Madras have successfully introduced automatic looms and their evidence on these points will be more valuable than anything we could say.

2. In our opinion, the additional capital expenditure (which is say three and a half times that of an ordinary loom) does not normally more than counterbalance the saving in labour costs.

3. In Bombay and Ahmedabad considerable efforts have been made by the manufacturers of automatic looms to introduce their machinery but so far without success. The varieties of qualities both as regards cloth and yarn together with the labour difficulty mentioned above, probably accounts for the difficulty in introducing automatic looms on this side of India.

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